STAFF WORKSHOP

BEFORE THE

CALIFORNIA ENERGY COMMISSION

In the Matter of:	)	
	)	
Assembly Bill 811 and AB-811-Type	)	AB-811
Programs to Finance Energy	)	Workshop
Efficiency and Distributed Renewable	)	
Energy	)	
____________________________________	)	

CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

WEDNESDAY, APRIL 29, 2009

10:08 A.M.

Reported by:
Peter Petty
Contract No. 150-07-001

COMMISSIONERS PRESENT

Karen Douglas, Chairperson

Arthur Rosenfeld

Jeffrey D. Byron

Julia A. Levin

CEC STAFF PRESENT

Susan Brown, Adviser

Panama Bartholomy, Adviser

Claudia Chandler, Chief Deputy Director

Pat Perez

John Sugar

Nick Janusch

PUBLIC ADVISER

Elena Miller

CALIFORNIA PUBIC UTILITIES COMMISSION

Jeanne Clinton

ALSO PRESENT

Chris Lynch, Attorney
Jones Hall Lawfirm

Mimi Frusha
Renewable Funding

Gail Feldman
City of Berkeley, California

ALSO PRESENT

Pat Conlon
City of Palm Desert, California

Rod Dole
County of Sonoma, California

Yvette Rincon
City of Sacramento, California

Andrew McCalister
California Center for Sustainable Energy, CCSE

Wendy Sommer
StopWaste.org

Marty Bailey
Roseville Electric

Ezra Rapport
Association of Bay Area Governments, ABAG

Beckie Menten
Redwood Coast Energy Authority, RCEA

Gary Ambach
Imperial Irrigation District, IID

Brian Gitt
BK1

Stephen Frantz
Sacramento Municipal Utility District

Rick Williams
Pacific Inland Mortgage

Breene Kerr, Councilmember
Los Altos Hills, California

David Miller
Sierra Business Council

Frank Spasaro
San Diego Gas and Electric Company
Southern California Gas Company
Sempra Energy Utilities

ALSO PRESENT

Mark J. Berman
Davis Energy Group, Inc.

Winfred DeLeon
County of Sacramento, California

Elisabeth Bertrand Russell
Association of Monterey Bay Area Governments

Howard W. Choy
ISD, County of Los Angeles, California

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P R O C E E D I N G S

10:08 a.m.

CHAIRPERSON DOUGLAS: Welcome to the staff workshop on Assembly Bill 811 and 811-type programs to finance energy efficiency and distributed renewable energy.

My name's Karen Douglas, Chairman of the Energy Commission. To my far left is Jeanne Clinton. She's the Manager of the Climate Strategies Branch at the Public Utilities Commission. And a very important partner with us as we work to develop our ideas for what may become eligible for stimulus funding, in particular.

To my immediate left is Commissioner Julia Levin. And to my far right, Commissioner Jeff Byron. To my immediate right, Commissioner Arthur Rosenfeld, Presiding Member of the Efficiency Committee. Commissioner Levin is the Associate Member of the Efficiency Committee.

Welcome. I'd like to make some brief opening comments. First of all, I do see some people standing. We have an overflow area in hearing room B. You'll be able to see and hear very well on the screen in hearing room B if you would like to have a seat there.

We're here today to learn more about a very new type of program in California. We're, at the Commission, quite excited and interested to learn more about these 811 and 811-type programs. And particularly to hear from the experiences of some local governments that have implemented or are in the process of developing such programs.

We would like -- we set up the agenda today to get more information about how these programs work, potential issues that we might run into if we were considering a statewide type 811 program. Issues that at the local level have been encountered, and ways of working around them or getting through them.

I'm very interested in assessing the level of interest in these types of program among stakeholders and local government. And benefitting from the experiences that some of you have already had with them.

We will be working with all of you in the next few months as we work to develop our thinking on stimulus funding. And so I very much look forward to the process.

This is the first issue-based, or highly substantive workshop on one of the ideas that we've been thinking about and talking to stakeholders about over the last month or so. And I'm very excited to see the turnout.

So, with that, I'd like to invite opening comments from the dais.

COMMISSIONER BYRON: Madam Chairman, it's really astounding to see this kind of turnout. Thank you all very much for being here.

We're all about energy efficiency at this Commission, but right now we're all about jobs, to try and return this economy back to a healthy situation.

Early this month I went to Washington, D.C., with Commissioner Chong of the Public Utilities Commission. A slightly different effort to make sure that we maximize California's opportunities under the American Recovery and Reinvestment Act with regard to smart grid.

I know that there's a lot of additional activity that's going on here at the Energy Commission and throughout the state. And I'm very interested in hearing more about this particular opportunity.

So, Madam Chairman, thank you and your

staff for organizing this. I look forward to learning a lot today. And, again, I'd like to thank all of the participants that are here.

COMMISSIONER ROSENFELD: Good morning. I'm Commissioner Art Rosenfeld. I'm very happy to see this crowd here. I've been involved with the AB-811 idea long before it was AB-811. I'm very happy to be a member of what the Mayor Tom Bates' energy efficiency and rural energy committee. And it's been a pleasure to support Cisco DeVries with his clever idea about municipal financing agencies.

I must say, as an aside, I'm slightly disappointed that the first Berkeley -- were entirely for photovoltaics on the roof and didn't get around to energy efficiency. I guess it was easier to do photovoltaics on the roof. But obviously all of us here want to see a higher priority on energy efficiency.

It's wonderful to see that so many of us here on the dais are interested in seeing how the Energy Commission and stimulus money can help this great idea of AB-811. So I hope we have a good day. And I intend to be noisy during the day.

(Laughter.)

COMMISSIONER LEVIN: I'd just like to say good morning, again, as well. I'm Commissioner Julia Levin working with Commissioner Rosenfeld and the full Commission on stimulus.

I wanted to thank the staff and advisers who put together the workshop and have really really been working their tails off on stimulus money, in general. It's been a huge gift for the Commission, but one that has created a great deal of work. The good kind of work; the work we want to do to boost California's economy and our clean energy future, but the staff has really worked hard and deserve all of our thanks for pulling this all together.

I also want to underscore Commissioner Byron's focus on jobs. I mean that is the first priority of the stimulus bill, and we need to be looking for where we can boost California's economy and create jobs. And that really needs to be a focus here, how could we shape an AB-811 program to create maximum jobs quickly, boost our economy.

And I think energy efficiency needs to play a very large role in that, because it is the most jobs per dollar invested of any clean energy program. And there are lots of studies that support that.

I'd also just ask in any public comments or presentations if we really try to focus the day on solutions. If you have obstacles you want to identify, please try to identify the solution to that obstacle. The more specific we all can be, I think, the farther we will go in the day. And that's really important, given the timelines that you're about to hear about in the stimulus.

And especially, you know, to the extent that you can identify what the state's role should or should not be, we don't want to get in anyone's way. We want to be helpful here.

So, thank you all, again. And, again, especially to the staff and advisers for their hard work.

MS. CLINTON: And just to finish up the line here. From the perspective of the Public Utilities Commission, I think, you know, we've all been aware that California has done tremendous work over the last 30 years to try to achieve energy efficiency in California.

The one stumbling block that I think we've seen is not as much penetration in building retrofit as we would like to see. Particularly with homes, but also with commercial buildings.

And the dilemma of, you know, measures and actions that have paybacks that might last longer than the tenure of current occupants and the owners has been a long-term dilemma. And I think we're all looking at to what extent can new financing mechanisms and solutions help overcome that problem where we get both a positive cash flow hopefully that motivates adoption of a more comprehensive set of efficiency measures than people might otherwise choose.

And that sort of confidence and security that even if I sell my home or move, there'll be somebody else ready to step in and keep that repayment stream going.

So, I think that's the promise. And we're eager to see if we can sort of fill this gap, sort of the critical element of motivating action here in California.

CHAIRPERSON DOUGLAS: Thank you. With that, Panama, would you please begin with the welcome and overview of the agenda.

MR. BARTHOLOMY: Thank you, Madam Chair. My name's Panama Bartholomy. I'm an Adviser to

Chairman Douglas here at the Energy Commission.

I'm just going to briefly go over some housekeeping items before we get into the agenda. And while I am here to give the welcome, I am but the face of a very hard-working group of staff here at the Energy Commission that are working on implementing the stimulus program.

You're going to hear a bit more about our role in implementing the recovery act's programs. But we have a very hard-working group here at the Energy Commission that is working very long weekend nights to make sure that we get this money out effectively, efficiently to stimulate California's economy and bring jobs back to the state.

So just some housekeeping items. For those of you not familiar with the building, the closest restrooms are located out there, as you leave the -- if you leave this room, take a left to head out to the bathrooms; over there next to the door with the alarm that some of you may have heard this morning. Please do not go out that door, as you will hear an alarm.

And we do have a snack bar here at the Commission on the second floor under the white awning with delectable snacks.

In the case of an emergency, please do not run. Please follow a Energy Commission employee outside of the building in a slow, responsible manner. We will take you out to Roosevelt Park that's located diagonally across the street from here. And we will all participate in a wonderful afternoon of talking about this issue outside in the park setting instead of in here with PowerPoints as we hopefully do not watch the building burn.

(Laughter.)

MR. BARTHOLOMY: It's cement, so I think we're doing okay.

At that I'm going to go over the agenda. For those of you online I think we're up to over 250 now on WebEx. And thank you for those of you who have tuned in online.

We are also recording this on WebEx, this meeting on WebEx. So if you didn't get enough today, you can go back to your offices and catch up on some of this, back in your cubicles, your offices at home, as well. And we'll be posting that online.

I'll be going over the agenda now. The

agenda is posted online, as well. As well as questions we're hoping to get answers from the public about. And I will tell you a little bit more about that process as we go through the agenda.

We're going to have an opportunity for questions to be asked of panel members after each of the panels that come up. We'd ask that you line up at the lectern to be able to ask questions of the panel members or of the Energy Commission at that point.

And for those of you online, please use the chat feature to ask questions. Those questions will be handed to me and I will read those out loud then to the panelists.

We are now going to go through the agenda really briefly before we get into it. We are now at the 10:10 part of the agenda where I'm providing the welcome and overview.

After this we will welcome Pat Perez, who has taken the lead for the Energy Commission on the implementation of the stimulus program here at the Energy Commission. He'll be giving an overview of the recovery act timelines and the programs that the Energy Commission is implementing.

At that point we will move into the substantive part of the agenda where we will hear from Chris Lynch, an attorney and vice president with Jones Hall. And Mimi Frusha with Renewable Funding, talking about the different clean energy municipal financing options available to local governments here in California. And the different financial opportunities for local governments to be able to fund those sorts of programs moving out into California.

We'll then offer the opportunity for questions before we get into hearing from the three communities that have really taken the lead here in California on implementing the first generation type of AB-811 programs here.

We'll hear from Gail Feldman from Berkeley , Pat Conlon from Palm Desert and Rod Dole from Sonoma County.

We'll then take a lunch. We'll give you guys plenty of time to leave the building and go and find lunch. We'll reconvene around 1:30, so we're giving you about an hour and 15 minutes for lunch.

And then we're going to hear from some

of the communities that are considering a similar program to AB-811s out in California, including Sacramento, the San Diego region, Alameda, Roseville, the complete Bay Area under ABAG, the Redwood Coast Energy Authority in the North Coast and the Imperial Irrigation District.

They'll be telling us about the programs they're considering implementing, and some of the timelines, and what the components of those programs look like.

At that point we'll finish up the substantive part of the agenda, hearing from Brian Gitt with BKI, talking about a statewide perspective on how to build a success AB-811-type program here in the state of California.

We'll then have the opportunity for public comments and any concluding remarks from anybody in the public or from the Commissioners or Jeanne Clinton from the dais.

At this point I will just talk about how to answer some of the questions we have for the day, before I turn it over to our first speaker, Pat Perez.

When you go to the agenda online on our energy.ca.gov/recovery website, on the agenda at the very end is an attachment with five questions that we are hoping will be answered in today's hearing. And, as well, as we welcome answers to those questions from you and the general public and our stakeholders to submit those to us.

We would like those answers to those questions submitted to us within ten working days after this workshop. So, by May 13th we would like answers to the questions at the end of the agenda.

You can submit those answers to us at recovery, at the website, recovery@energy.state.ca.us. And all that information is at the top of the attachment that's posted online and is out in front of the room right now on the table.

So, with that, I will welcome Pat Perez up to the mic to tell us a little bit about some of the timelines and the overview of the recovery act programs that the Energy Commission is implementing.

Thank you very much, and we're very happy to have you here at the Energy Commission today.

MR. PEREZ: Good morning, and thank you,

Panama, and good morning to you, Madam Chair, Commissioners, Jeanne Clinton and the public, as well as our critical stakeholders that are here today, and those that are listening in.

What I'd like to do today is just quickly go over a number of topics providing context on why AB-811-type programs are important to us, and the potential funding sources that could cover these programs. Talk a little bit about some of the guiding principles, as well as some of the overall, over-arcing goals for the program priorities here at the Energy Commission.

And then briefly touch on the American Recovery and Reinvestment Act timelines for the development of programs and guidelines that we're going to need your assistance on as we move forward.

In terms of the authorizations, the Energy Commission will be administering two programs. One is the state energy program. We have received word that we'll be receiving $226 million for that program. As well as energy efficiency and conservation block grant program where the Energy Commission will receive about almost $50 million, of which 29 million will be going to small cities and counties. And then the remainder will be used at the Energy Commission's discretion.

In terms of some of the over-arcing principles there are really four main areas: Accountability, to insure that you know what money we're receiving, how we're spending it, and what it's going to be used for. Extremely critical, the transparency in terms of having an open process so that you know where the dollars are going and how it's being used is going to be extremely important.

And not only that, but verifications. You heard from the Commissioners, job retention and creation are extremely important and fundamental to this program. So we'll have to verify, track and monitor that, indeed, we're retaining and creating jobs.

But also measurable results from each of the energy programs that we're going to be administering. And then finally, on risk mitigation in terms of program evaluation and training and certification.

Those are some of the things that we'll be very cognizant of in terms of designing and developing programs.

In terms of some of the over-arcing goals for program priorities, as established here at the Energy Commission. Of course, stimulating the economy is the overriding objective of the American Recovery and Reinvestment Act dollars for not only creating, but retaining, jobs in California.

But also expending money efficiently and effectively is going to be extremely important. And also the leveraging of public and private capital in dollars, as we move forward to develop a more sustainable, long-term economy.

We're also looking a lasting and measurable energy benefits. That's by AB-811-type programs are very fascinating and interesting for us and why we're devoting an entire day to learn from you as to how might be the best way to move forward and develop programs using money that is provided by the recovery act.

And, of course, we're also going to be looking at a variety of programs in terms of how they meet California's energy policy goals, as articulated in many of the major policy documents that we have, whether it be the Integrated Energy

Policy Report, the Air Resources Board's Scoping Plan, and the Joint Energy Commission and California Public Utilities Energy Action Plan, as well as the Governor's Bioenergy Action Plan, and other supporting documents.

In terms of the state energy program, as I noted earlier, we're going to be receiving about $226 million. This is a substantial increase over what we typically receive, which is about $1 to $3 million annually. And thanks to John Sugar and others here at the Energy Commission Staff, I think we're well equipped to ramp up our programs to get this money out.

Some of the programs that are permitted under the state energy program include implementing residential and commercial, industrial and transportation energy programs. As well as also expanding distributed generation and renewable energy resources in the state.

Initially the Energy Commission is looking at three major areas to target our recovery act funding. One is on green workforce development, as well as nonresidential and residential building efficiency retrofits, complemented with clean energy systems.

We're actually working on an application right now that is due to the U.S. Department of Energy on May 12th. And the part that's going to be very important for us is the next phase after we submit that application, which is the design of the programs that would support the state energy program and guideline development. You'll be hearing much more about this next week when we launch three public workshops throughout the state. More on that in a few minutes.

Also with respect to the energy efficiency and conservation block grant program, as the slide conveys here, there's a formula in terms of the distribution between local governments, state energy offices, as well as the Native American tribes. And then also set-aside funding for competitive grants. And the U.S. Department of Energy is yet to release the guidelines on the 400 million that is going to be available on the competitive basis. But we hope to hear more there.

Many of you, I see, are representing local governments. Certainly the announcement that came out several weeks ago about $302 million coming into the large counties and cities -- and when I refer to large counties and cities, I'm talking about jurisdictions at least at the county level that have a population of 200,000 or more, and cities with a population of 35,000 or more.

So, as I noted earlier, the Energy Commission will receive about 49.6 million of that directly that we'll be administering. And we have an application that we're working on now that will be submitted later in May.

We realize that those of you in local government, your applications are due back in late June. And we plan, following next week's workshops, to launch into the development of guidelines in the programs which will be taking place during summer.

In terms of the types of projects and strategies, again the overriding objective is to create and retain energy jobs; reduce emissions from fossil fuels; reduce total energy use; as well as develop renewable energy. And improve energy efficiency, not only in transportation, but building and other appropriate sectors.

Before I close I'd like to bring to your attention that next week we will be launching a series of public workshops. The first one will be held Monday down in Los Angeles, actually in Diamond Bar at the South Coast Air Quality Management District.

We'll devote the afternoon, beginning at 1:00 to 3:00 p.m. on the energy conservation block grant program. We welcome your input there. And then we'll have about an hour break. From 4:00 to 8:00 p.m. we will focus our attention on the state energy program.

At those meetings we'll provide a more detailed overview and breakdown on the overall timelines and schedules, program objectives, and how you can provide input to us as we move forward in developing the actual programs, as well as the guidelines that will be necessary.

And we'll also follow up on Wednesday with the same workshop in Fresno. And then we're back here in Sacramento on Thursday of next week for those of you who would like to participate in the workshops.

So, with that, that's all I have to say right now. And turn it over to the moderator.

MR. BARTHOLOMY: Thank you, Pat. At this point are there any questions from the dais for Pat on what he just went over?

COMMISSIONER BYRON: An obvious question maybe is on the mind of everyone, Pat. When will the public start seeing funds?

MR. PEREZ: In terms of the development of the guidelines and the programs, it's hard to say. It's also going to be dependent upon the U.S. Department of Energy's review of our application, which they will have 60 days to review.

We're looking at probably late summer, early fall before the release of most of this money. We will be receiving initial 10 percent allocation hopefully later this month or next month. But most of the funding will probably be out late summer or early fall.

MS. CHANDLER: Well, Pat, I think we should also explain that we anticipate that we'll receive, 60 days after our application is approved, the funds from DOE. So that we won't see the money until probably the July/September -- July/August timeframe.

We hope to have our guidelines completed by that point in time, which is the only way that we can move this money out, and except for interagency agreements with sister agencies and possibly local governments.

We will not receive the second phase of the money, the next 50 percent of that money, until we have encumbered the first half. So that's why we're calling it phase one and phase two.

At that point in time we'll see 20 percent. And the remaining 30 percent of the money we have no specific information from the Department of Energy on how and when we will receive it.

COMMISSIONER BYRON: Thank you, Ms. Chandler.

COMMISSIONER ROSENFELD: I'll follow up on that, Pat. You said something interesting about 10 percent of the money coming early.

MR. PEREZ: Yes.

COMMISSIONER ROSENFELD: Can you emphasize that a little bit?

MR. PEREZ: Essentially as part of the state energy program, after you submit your application you're entitled to the first allotment, which is 10 percent of the $226 million.

We are still waiting on the receipt of

that. But it is my understanding that we will not be able to actually spend it until DOE completes the review of our application that we'll be submitting here shortly.

COMMISSIONER ROSENFELD: Ugh.

MR. BARTHOLOMY: Other comments from the --

MS. CHANDLER: I'm afraid that the Department of Energy and others really promoted the whole idea of the money is out, the money is out. However, what we're seeing not only with the state energy plan money and the block grant money, but also with some of the competitive lots of money, that the money is coming; that the guidelines have not yet been developed. That we're in a "Catch 22" because until the guidelines are out from DOE, or until our applications are approved by DOE, we have no expenditure authority.

So, there's a sense of unfulfilled expectations that we're working as hard as we can to make sure that we get our guidelines out, which is the framework for how we spend our money.

COMMISSIONER LEVIN: Claudia, could you just introduce yourself for the many people on the phone that might not --

MS. CHANDLER: Yes, thank you, Julia. My name is Claudia Chandler, and I'm the Chief Deputy Director of the Energy Commission.

PRESIDING MEMBER LEVIN: Are there any questions from folks on the phone? It sounded like someone tried to speak at some point.

MR. BARTHOLOMY: We do have two questions, Commissioner, from folks on the phone. We're having to take those all via web. And so I'll ask those right now. And then we'd ask for any clarifying questions from the audience.

We would like to quickly get into the rest of the agenda, though. So we'll be having substantive workshops next week on the state energy program and the block grant program in Diamond Bar, Fresno and Sacramento.

So, for detailed questions about those programs we'd really prefer it if you save it for that time, and let us spend the rest of this day focusing on AB-811-type programs, moving forward.

The two questions, Pat, from the web that we have, and for other folks putting in questions, we'll have plenty of time for questions at the end of the day, as well as throughout the day, as well.

Have there been any timelines established for federal guidelines applications process for small cities competitive grants yet? This is about the block grant program.

MR. PEREZ: Not that I'm aware of at this point. Most of the guidance has been real broad in general. So we're waiting for further guidance.

MR. BARTHOLOMY: And we'll be talking more about that on the May 4th, 6th and 7th workshops that I just outlined.

And then the second question is: Will any of the state energy program recovery act funds be available to universities?

MR. PEREZ: In terms of the funding with respect to partnerships they would be eligible as a partner, depending upon the competitive funding pot. Some of the universities and national labs are receiving direct allocations that will not go through the state of California or the Energy Commission.

MR. BARTHOLOMY: Great. Thank you. Any clarifying questions from those of us here in the audience for Pat before we get into talking about AB-811-type programs?

Not seeing anybody coming up to the lectern, I'd like to welcome --

COMMISSIONER BYRON: Mr. Bartholomy.

MR. BARTHOLOMY: Yes.

COMMISSIONER BYRON: Just to finish up briefly. I had discussions with Ms. Chandler and Mr. Perez on this. Perhaps you had, as well.

But the important take-away that I got from that was that there are things that are outside our control, certainly the Department of Energy. But the things that are inside our control here at the Energy Commission is we're going to be as prepared as we can to begin encumbering those funds immediately so we take advantage of that second and third tranche by having our funds encumbered.

And I think -- I commend staff on staying abreast of what's going on with DOE. They don't have answers, obviously, to all these questions that are coming up. But I know you're in daily contact with DOE.

And I think it's incumbent upon us to make sure we're not an impediment. And my impression is that we are not going to be in that situation. So, I just wanted to finish with that closure, and then I'd thank you.

MR. BARTHOLOMY: Thank you, Commissioner.

At this point I'd welcome Chris Lynch with Jones Hall, and Mimi Frusha from Renewable Funding, to come up to the lectern.

We've asked Chris and Mimi to give us an overview of both the different energy municipal financing options available to local governments, and the location where funding could come from to fund these programs.

They'll be going over, in detail, everything that's available to local governments in California. Some of the issues of each of the different options. And then the funding sources and the issues and implementation challenges and opportunities for local governments here in the state of California.

So, I welcome Chris and Mimi, and I believe they're going to be doing tag-team type of performance up here, moving back and forth. So we'll let them give both of their presentations. Then we'll open it up for questions before we will get into a discussion of the California statewide communities development authority's new request for proposals in their program they're introducing.

So, Chris, welcome to the Energy Commission.

MR. LYNCH: Thank you, Panama. Madam Chair, Members of the Commission. My name is Chris Lynch. I work at a lawfirm called Jones Hall in San Francisco and we represent local agencies and public finance transactions.

We're representing a number of local agencies, both local and regional, in their efforts to undertake financing programs of renewable --

MR. SPEAKER: Could you speak up a little?

MR. LYNCH: Sure. We represent a number of local agencies that are participating in efforts to finance renewable energy and energy efficiency improvements on private property.

We've been asked here today to discuss some of the options for undertaking those types of financings; to discuss some of the issues that impact the ability of local agencies to undertake those programs. And then also to discuss ways that the California Energy Commission could help make those programs happen.

When municipal financing, the idea of municipal financing of renewable energy and energy efficiency improvements in Berkeley and Palm Desert, who are really the originators of these programs, started when those two local agencies were trying to find a way to have widespread adoption of renewable energy improvements and energy efficiency improvements throughout the community, and discovered there were barriers that they thought the traditional municipal financing structures might be help.

The issues they were particularly concerned about was that property owners seemed to think that they would have a tough time recapturing their investment, given the short-term nature of property occupancy in today's world.

And so municipal financing, which is very comfortable with a hundred percent financing, and with the idea of tax and assessment obligations transferring with property on sale, rather than being due on sale, as is true for private financing, seemed to address those issues.

In addition, there was some concern about the fact that people's personal credit scores and personal credit situation might interfere with their ability to find financing for these types of improvements.

And municipal financing offers the opportunity to shift the security for financing to the property, the underlying real property, specifically with respect to special taxes and assessments, which I'll talk about in a little more detail. The security for the obligation is actually the property; it's not a personal obligation of the property owner.

In the event of delinquency there's foreclosure on the real property. There's a super-priority lien accorded to special taxes and assessments that is senior to any private liens on property. And the taxes and assessments are actually levied on the property tax bill, the county ad valorem property tax bill, rather than through an independent billing process. So that provides additional security

There are two options that I'd like to talk about today. One is assessment financing and one is special tax financing.

Assessment financing is widespread and available to all cities and counties in California today. Assessment financing has traditionally been used to finance public improvements with the assessment levied on property in a manner that relates to the special benefits realized from the property from that public improvement.

There was an existing provision in the 1911 Assessment Act, chapter 29, that allowed assessments to be levied by contract, where a property owner would come in, sign a contract that would agree to levy assessments on their property for public improvements.

AB-811, in the last legislative session, amended chapter 29 to allow contractual assessments to be used for renewable energy and energy efficiency improvements on private property.

There's one issue that arises with respect to the assessments, and that is, does our assessment subject to Article XIII D of the California Constitution, which was introduced by proposition 218, The Right to Vote on Taxes Act, there's actually a fair amount of debate on this issue in the public finance community.

Some take the position that Article XIII D applies to all assessments. Some take the position that Article XIII D only applies to a subset of assessments, and would not apply to contractual assessments for renewable energy and energy efficiency improvements.

But I think it's fair to say that this is an issue that needs to be resolved. The public finance community typically is not comfortable with what we call reasoned opinions, where we would give an opinion that it could be this or it could be that.

And so we have a proceeding that is available to public finance called judicial validation where we can ask the court to give their opinion on what the law really means in this area. And that may be the wisest step to take with respect to assessment financings.

The procedure for setting an AB-811 financing is really very simple and --

COMMISSIONER ROSENFELD: Chris, I'm going to interrupt you. That seems so important. Could you say a few more words about judicial review or whatever words, I didn't get it written down.

MR. LYNCH: Sure. It's judicial validation. The Code of Civil Procedure --

there's two ways you can undertake validation.

One, there's a process set up in the code of Civil Procedure called in rem validation. And a local agency undertakes the formation of a financing structure. And then it goes to court, and it asks the court to validate the legality of what it's doing.

Summons for that type of process is published summons. And it's summons to all interested persons. And then you give a date on which anybody interested in participating in this litigation may answer within 30 days.

And if nobody answers, then you move for a judgment. If somebody answers, then you proceed through the litigation process.

In rem validation actions are given priority under law. So a superior court has to prioritize an action like this on its agenda. So you often see these resolved more quickly than you would typical litigation.

COMMISSIONER LEVIN: Having said that, Chris, though, timeliness is a key issue that I think we need to keep in mind today. Would it be faster for the Legislature? And can the Legislature provide clarity on this issue? Are there alternatives to going to court?

MR. LYNCH: Some issues can be addressed by the Legislature; some cannot. One of the issues we're talking about here is the interrelationship between the statute, AB-811, and chapter 29 and the California Constitution Article XIII D.

The Legislature can give its thoughts on what that relationship ought to be, but ultimately it's to be decided by courts if there's uncertainty, if someone chooses it to be.

So, this is not an issue that the Legislature, on its own, can necessarily solve.

MS. CLINTON: More importantly I think maybe you could just briefly speak to the question, is this a big issue, a medium issue or a little issue in terms of needing to get it resolved for these kinds of mechanisms to take hold?

MR. LYNCH: I think, in my opinion it's a big issue. The public finance community, as I mentioned, is not comfortable with the idea that bondholders take the risk that the underlying structure is illegal. They don't want to take the risk that they're actually facing a receding debt service on their bonds could be impacted by a conclusion by a court that what was done was not consistent with the law.

The standard to which people in my profession, bond attorneys, are held when they give an opinion is that we have to give an unqualified opinion. Which basically says that the highest court in the jurisdiction, if properly briefed, would reach a conclusion consistent with the opinion.

And so it's a pretty high standard. It doesn't really allow opportunity to say, well, one -- you could make the argument that Article XIII D does not apply to assessments. But you also could make the argument that it does. That's not the way the public finance community works.

Judicial validation offers the opportunity to have certainty on that issue.

There's one other approach to Article XIII D, which I personally find attractive, which is proposition 218, The Right to Vote on Taxes Act, was intended to give property owners the ability to receive notice about assessments, the opportunity to participate in a public hearing, and then the opportunity to have a ballot where they could weigh in on whether the assessment was appropriate. The ballot's weighted based on the special benefits accorded to the property and the amount of assessment they pay.

So, one possibility is that property owners may have the ability to waive proposition 218, Article XIII D, if it's held to apply, because they're the intended beneficiaries. And by executing a contractual assessment they're receiving all of the benefits of consent that they otherwise would receive through their Article XIII D process.

But, again, that is a matter that we can't give an opinion on with absolute certainty, which may drive us toward the judicial validation process.

Briefly I'll mention there's a second method of achieving judicial validation, and that's what's called a friendly mandamus action. The benefit of friendly mandamus action, which you literally go to court and sue a public official to undertake an obligation with respect to the financing, is that there's two litigants, both represented by counsel.

And at the end of that superior court

action, no matter which way the judgment comes out, you can pursue an appellate action. That results in certainty on a statewide basis, whereas a in rem validation, which has the reasonable possibility that nobody shows up to dispute and act as the other party in the action, you may not have the ability to appeal, because you may win the judgment and be unopposed.

Briefly talking about the procedure for setting an AB-811 financing structure up, the legislative body, the city council or the board of supervisors, adopts a resolution of intention; calls for a public hearing and the preparation of a report that describes the nature of the improvements to be financed, the nature of the financing that may be undertaken. And establishes a form of contract to be executed by the property owner.

Then a public hearing is held. And from that point on, property owners can come and levy assessments on their property for this purpose by execution of a contract.

A notice of assessment is recorded against their property to provide notice to future owners and lenders that there's an assessment, there's a lien on the property.

COMMISSIONER LEVIN: Well, Chris, I'm sorry. Just to conclude on the Article XIII D issue, have you put your opinion or your firm's opinion about the options and the legal interpretation in writing? Or is that something that you could?

Because we have received some opinions which seem to overlap not perfectly with what you've expressed. But the more of those we can collect quickly, the better we can get from our attorney general, the state's attorney general, and figure out how to move forward.

MR. LYNCH: Yes, we can do that.

COMMISSIONER LEVIN: That would be very helpful, thank you.

COMMISSIONER ROSENFELD: And, Chris, while we've got you -- could you give us a clue as to the minimum time which it might take to resolve this?

MR. LYNCH: Well, an interim validation receives priority at the superior court, so it can take as little as three to six months, maybe less, depending on how busy the particular court in which the action is.

But to the extent it's answered and you have full-blown litigation then it can take as long as litigation takes.

Again, it is subject to prioritization. And then you have the issue of appeal. If one of the parties involved in an active litigation chooses to appeal to the appellate court, there's no prioritization in the appellate court, and that can take a significant amount of time.

COMMISSIONER LEVIN: And what about the friendly mandamus option?

MR. LYNCH: The friendly mandamus option does not receive the benefit of priority at the superior court level. The benefit is it allows you to immediately go to an appellate court and seek validation.

And from a global perspective it provides greater certainty because it can be used by all transactions around the state.

The downside is it takes longer.

COMMISSIONER LEVIN: Okay. This is an issue we would be very interested in input from anyone who is knowledgeable about it, not just Chris, although certainly he's very well informed. But we would welcome comments in this area, such as local government counsel, bond counsel, others that have expertise. Because this is something we really are trying to sort out quickly.

MR. LYNCH: The second financing option is a special tax option. The city of Berkeley used this financing option. We worked with the city of Berkeley on this.

Berkeley is a charter city. It adopted a financing ordinance that incorporated the Mello-Roos Act and amended it to allow the financing of private renewable energy and energy efficiency improvements.

That ordinance was incorporated into SB-279, which is currently pending in the Legislature. I believe it's passed the Senate and is headed to the Assembly right now.

The process for setting up a special tax is fairly similar to the AB-811 procedure, if you assume you don't have add-on of the Article XIII D procedures. This is the legislative body adopts a resolution of intention. It draws a boundary around some geographic area which can be the total extent of the jurisdiction.

You hold a public hearing. After the public hearing the legislative body can form the district. And then from then on, property owners can come in and sign what's called the unanimous approval, which constitute their vote under the California Constitution, to participating in the financing, payment of special taxes, and issuance of bonds. And then a notice of special tax lien is recorded as a lien on their property.

Briefly, the differences between chapter 29, AB-811 and SB-279 are the following: First, chapter 29, AB-811 is only available to cities and counties. SB-279, as an amendment to the Mello-Roos Act, would be available to all local agencies.

There's the issue of how Article XIII D applies with respect to chapter 29 that needs to be resolved. Chapter 29 is not available for partials which are undergoing development, and may act as a limiting factor on which parcels can be financed.

That may or may not be a difference with SB-279, depending on how the legislative process works there.

SB-279 would allow third-party ownership of the financed improvements with a lease to the property owner, and the use of the special taxes to pay lease payments.

There was some discussion about having special taxes available to pay power purchase payments, as well, under power purchase agreements. But the Legislature had some concern that those don't result in an amortization of the improvement, itself. At the end of a power purchase agreement term there usually is a fair market value payment due by the property owner or the improvements are removed from the property.

With that, I'll turn it over to Mimi to discuss some of the details of the financing programs. And then we'll come back and talk about some other legal issues and financing issues that you should be aware of.

MS. FRUSHA: Good morning, all. My name is Mimi Frusha. I am the CEO of Renewable Funding. Unfortunately, my partner, Cisco DeVries, and colleague could not be here. But he is really a visionary behind this program, and is pleased to see so many of you interested in seeing this happen. And not only in cities, but also at the statewide level.

One of the things I'd like to talk a little bit about is not only the financing options that are available, but a little bit of programmatic structures.

As we're seeing, there's a number of different programs that are emerging here in the state, as well as nationwide, and in Colorado, as well.

And none of these programs look exactly alike, nor are they using the exact same mechanisms, legally as well as financially, to implement these programs.

There's a number of different financing options you can use to basically provide capital for these programs. A few that are listed here are general fund loans, or even agency loans. Palm Desert and Sonoma County are pursuing this method.

There's general fund bond financing which is lease revenue bonds, but it's still backstopped by the general fund, which is not always of interest to cities.

And then there's land-secured bond financing, which does not put the general fund at risk And it was primarily to what Chris was speaking to, the special tax or special assessment districts. And Boulder County, Colorado is pursuing this mechanism.

There's commercial banks and there's also private funding. And in the case of Berkeley they've used private funding through renewable funding to finance their program.

With these financing options you really see a number of different financing terms emerge for the program. There is some kinds of -- across them. You've seen about a 7 to 9 percent interest rate to property owners. The max loan amount would range about 50,000. Although if it goes above that, there's often requesting approval.

Repayment terms will range anywhere from five to 20 years. And, of course, the longer the repayment term the cheaper it is for the property owner.

And then the total aggregate amount of loans we're seeing go out right now, this is actually, I should flip Boulder and Palm Desert. Boulder is about 9.5 million, Berkeley 1.5. Palm Desert has seen about 7 million, 7.5 million available to property owners. And Sonoma County has committed 115 million, although they haven't seen that money go out yet. Although the Sonoma County folks will be able to speak to that a little more specifically.

But what we're seeing is over 200 million in financing that's becoming available for these programs right now. And the potential, I would say, even greater than that.

With these different financing options you're definitely going to see some challenges and issues. One of the things is the general fund loans are not seen as a permanent solution, and often not an option for smaller cities or those that do not have a surplus in their budget.

With bond financing you often encounter the question, do you pool all the applicants, or do you fund them individually. And by pool I mean if you're going to float a bond, do you aggregate all these property owners, which means you have to bring everyone in at the same time, determine their projects and basically have them agree to a contract before you float that bond, which can be pretty time consuming. That's actually what Boulder is doing.

Or do you fund them individually and actually create a micro-bond for each project, which is what Berkeley is doing. And that also can have its drawbacks and take a lot of staff time, as well.

One of the questions you also have to ask are what the interest rate risk associated with the program. In both the cases of Palm Desert and Sonoma County, as well as Berkeley, they fixed the interest rate.

And one of the challenges with fixing that interest rate is when you go to market are you going to actually be able to place these bonds, or place these assessments in the market at 7 percent.

And basically what we know right now the credit markets are in disarray. It's challenging to place those at 7 percent. So it means we really have to develop the market. And we have to find buyers for these bonds at 7 percent.

It is difficult times to introduce these new financing concepts, as we've seen. Although Boulder County today is actually going to the S&P to rate their bonds. And we'll see how the market actually looks at these bonds. I think it'll be a really interesting piece of information for all of us.

Local retail banks who would have been likely candidates for helping administer these programs are no longer major players, considering the current market conditions.

And traditional investors in these don't know if they have the liquidity to actually purchase these bonds. And this is one I said, we have to develop the market for these bonds. Are there green investors; are there emission-related investors; can the state in some way, shape or form, help support these.

Moving from financing options I think some of the biggest questions are, okay, we have the legal aspects, we have the financial aspects. We know which capital we can potentially tap.

What does it take to put a program together. And I think there's several different components. Who's involved in putting these programs together. What is needed to put a program together like this. What are the costs associated with this program.

What's the most effective administrative unit or sponsoring entity for these programs. And then, what's the timeline to implement I think is one of the biggest questions we're trying to answer today.

Some of the stakeholders that would be

involved in this program include the property owners, the cities and municipalities, counties, financial markets, installers and contractors, as well as third-party verifiers such as CSI, who might be administrating a rebate program. As well as a third-party administrator, for example, like Renewable Funding.

And what's really important is how do we align everyone's expectations, their requirements, as well as timelines such that we can make these programs move seamlessly and effectively for the property owner, the end user.

Some of the requirements for these programs include a strong administrative and application process. It means the property owner can come in. They know who to talk to. The application is easy for them to complete. And that they can actually get funding without too much of a timeline.

There needs to be a regulatory scheme in order to insure these projects are verified and actually performing such that we are reaching environmental goals that we've set for ourselves.

And then there has to be little cost and liability to actually those participating governments.

One of the things that as a small city comes in, they can't really carry the administrative burden of these programs.

So, what does it cost, what are some of the costs associated with these programs? We have administrative infrastructure, we have the district formation process and validation process to which Chris was speaking about.

We have bond issuance costs. We have application processing and customer service. As well as the private verification and quality assurance.

And then risk. What is your loan loss reserve fund look like; how do you insure if there's any delinquency on payments where that's actually covered.

And so these costs can add up quite quickly. And we need to insure that we can reduce these costs. And some of the ways that we can reduce these costs is through scale and through volume.

Small cities can't necessarily implement these programs. Larger cities like San Francisco or San Diego, San Jose, they have the resources, they have the staffing to put these programs in place. But for smaller cities how do they do this.

And one of the questions we've been asking a lot lately is do we do these -- run these programs at the citywide, the county-wide level, or regional, even a statewide level. And obviously you can achieve economies of scale by running it at the statewide level. It really reduces administrative and legal burden, as well as financial burden to the participating cities, as well as the participating property owners. It will spread those costs out across many people rather than a smaller segment of people.

And at the same time you can still have local customization when you scale up. But you can really increase the coordination. Can you imagine rather than saying only four cities in the state of California are doing this program, but the entire state is doing this program?

Really, property owners across the state then -- or across the state will be excited about participating in this program.

Some of the models we've seen that we believe are models for scaling up include Boulder

County, Colorado, which is not part of the state of California, but definitely a model to follow. And then well as Sonoma County is just starting their program, and I think they're another model to look towards.

Lastly, there's the California Communities, or CSCDA. It's a statewide JPA. And they are launching a program called California First and Partnership with Renewable Funding and Royal Bank of Canada.

And this is another model that I think would allow it to be much more cost effective to run these programs.

A typical program timeline. As we've seen, the program design process, the district formation and validation process. And that's going to take anywhere, as Chris was saying, from six to potentially nine months. The California First program, and many of these other programs, have done through this iteration already.

Then if you're going into education and marketing of the program to property owners, takes six to 12 weeks. Of course, you can always be doing that in concert with the design and formation process.

And then there's the application and contract period of which the property owner is going to enter into a contract to use this funding for renewable energy or energy efficiency project, which would range from four to six weeks.

And then installation for a project could range anywhere from three to six months, and the funding would be pretty much immediate after that.

So, typical program timeline, from start to finish, could be about nine to 12 months. Sometimes longer, sometimes less.

With that I'm going to hand the microphone back to Chris so he can talk about some of the outstanding issues. And we'll tag-team this a little bit.

MR. LYNCH: Thanks, Mimi. We briefly wanted to describe some of the issues that the local agencies are facing when they undertake these programs.

First, I've already talked about the Article XIII D, prop 218 issue. And again, the issue is does it apply -- does XIII D apply to these assessments. And if so, can that application be waived by the property owners.

Secondly, is this about exercising the taxing power. Various bond attorneys around the state have questioned whether this is the case. And I think there's two issues there. First, there needs to be a public purpose for the exercise of a taxing power. Traditionally courts have deferred to legislative bodies when they make a finding of public purpose.

Obviously you have, in the context of adoption of AB-811 and similar with respect to SB-279, very clear statement of legislative belief in the public purpose of what's being done here.

In Berkeley you had 80 percent of the voters approve measure B, which is the 80 percent reduction of greenhouse gas emissions in 50 years. And Berkeley used their financing program as just one of the tools they can use to accomplish that reduction.

AB-32 has a statement of public purpose. I personally don't think that the public purpose issue is a big one.

The second issue is the fact that the improvements are privately owned. Is that a significant issue. And, again, if they're privately owned but intended to accomplish a public purpose, I don't think that's an issue.

The second issue is traditionally the exercise of a taxing power has been a compulsory issue, where a taxing entity forced someone to pay taxes. Here we're talking about 100 percent consensual taxes and assessments. And some have questioned whether we can have a valid exercise of the taxing power.

I should point out two things in that context. First, the existing Mello-Roos Act is most commonly used by a large developer who comes to a city to ask for the right to develop and is told that it can develop if it finances or pays for the public infrastructure necessary to support that development.

The property owner has three choices. Don't develop; use existing equity or private loans to pay for that infrastructure; or participate in a Mello-Roos financing.

Typically the district is formed pursuant to a vote of that one property owner. Obviously not a very substantive difference between what we're talking about here and what goes on there.

The second thing is we in the public

finance community, and I think California at large, has dealt with a significant trend over the last 30 years, which is where the constitution has been amended, first with proposition 13, and continuing through proposition 218, where voters have demanded the right to vote on taxes. That was the title of proposition 218, the right to vote on taxes act.

So it seems strange to be concerned about too much consent in the context of these programs, when that has been such a fundamental nature of what's gone on in our legal community over the last 30 years.

A third issue is, as I mentioned, special taxes and assessments have a super priority. They take priority over existing private liens on property.

And an issue that's raised there really isn't a legal issue that we can deal with, but it's a relationship issue for property owners. They need to go out and work with their lenders to have assurances that the lenders won't exercise remedies under their existing mortgages and deed of trust when a property owner puts this lien on the property.

So that's just an issue that may be a challenge, given the fact that most loans have been resold, resold, resold over the last few years. And servicing may be done by yet another entity. And the customer support function may be located somewhere offshore.

Prevailing wages. I just want to mention this issue. Traditionally prevailing wages are required to be paid for public works. Public works are often defined to be works, improvements where public funds are used. There are administrative regulations from the Department of Industrial Relations that suggest that private loans to a private entity who is paying for private improvements with a privately contracted installer does not constitute the use of public funds.

And yet there's case law, Department of Industrial Relations, that say the use of Mello-Roos funds are uses of public funds in that context. So that's something that needs to be resolved, I think, to have certainty.

Many of the local agencies that are involved in these programs also do this as an opportunity to create job training programs for entry-level positions from installers. And so that may be consistent with the concept of prevailing wage.

And then finally the validation judgments that we've been talking about earlier. The need to pursue those.

MS. FRUSHA: As I mentioned before, there's a lot of different capital options for cities and counties to implement these programs. But one of the things that is definitely necessary is a reliable and low-cost funding source.

At 7 to 9 percent interest rate, that's not necessarily, I think, a sustainable interest rate for property owners moving forward. And it doesn't allow a widespread adoption of this program.

So we definitely need to find ways to drive down the interest rate for property owners, and would increase participation in this program.

I think also there needs to be consistent methodology and program structure for these programs. One of the challenges that we're seeing is how do you go out and rate these bonds and rate these assessments if, in fact, they all look slightly different. Some of them solar, some for energy efficiency, and each county and city is using different mechanisms to determine what measures are allowed.

Programmatically one of the questions that is always coming up is to what extent we manage or assist the -- manage the relationships between the property owner and the installer. Do we allow the property owner and installer to sort of exist on their own without any intervention from a third-party qualifying agency. And I think this is a question that allows us to -- that's important for us to answer, because I think there's a need for some sort of qualification and some sort of verification of these projects, that they, in fact, are meeting the performance standards that we're asking them to meet.

With every project you need to ask a city or a county, or even a statewide program needs to ask, what type of projects do we allow. Do we allow solar; do we allow solar thermal; do we allow geothermal; do we allow energy efficiency projects.

And then for whom do we allow these projects. For residential, small residential, small commercial or even larger commercial. I know there's definitely been interest in demand from the commercial industry in these projects. And thus far these programs have not been applied to the commercial sector.

And then the part that we continue to talk about. Is there a regional solution, and a solution that really allows these programs to scale up and reach a much broader population and broader communities.

COMMISSIONER ROSENFELD: Mimi, before you take that slide off, you said in order to drive the interest rate down to something like 7 percent.

MS. FRUSHA: Drive it down from 7 percent.

COMMISSIONER ROSENFELD: What sort of number is in your head for what might excite interest?

MS. FRUSHA: I would say 6, 5 to 6 percent. I think right now what we are seeing is that the 7 to 9 percent, we are seeing a higher income bracket participate in this program. And how we bring that down so that a broader income range can participate in the program.

COMMISSIONER ROSENFELD: And I don't

know finance, are these municipal bonds or -- the sources --

MS. FRUSHA: These are taxable municipal bonds. And if they were tax exempt or -- there's a number of ways to drive the interest rate down. One is to provide, with loan loss reserve funds can help drive the interest rate down. And I guess this might actually go to our solutions, if you would like me to --

COMMISSIONER ROSENFELD: I should wait, okay.

MS. FRUSHA: I'll let Chris talk a little bit about what he thinks the CEC can do as far as support from the legal aspect.

MR. LYNCH: Sure. When Panama asked us to speak he wanted to make sure we addressed what we thought you could do to help make this process move forward.

And I think one of the things that you can do is support 279 so that public finance community has the ability to choose between the financing structures. They may decide AB-811 is the way to do; they may decide SB-279. But I think it's important to have the choice.

The second issue is support validation

actions. One of the challenges here is in the absence of a dedicated revenue stream, where does the money come to undertake judicial validation.

And to the extent there's money from the California Energy Commission to help pay for that validation process, I think that would be very helpful.

As well, I wrote it down, something else to consider is to participate in the process of developing standards for energy efficiency improvements. One of the reasons -- the Commissioner asked why Berkeley did solar panels instead of energy efficiency. Well, Berkeley did solar panels because they could rely on existing third-party certifications for installers and improvements.

Berkeley relied on the fact that they would finance only improvements installed by installers that have been approved by the California Solar Initiative process. There's no such third-party certification for energy efficiency. If there were, that would help increase the adoption and financing of energy efficiency improvements.

MS. FRUSHA: And then one of the points

was, as Chris just mentioned, is to assist with developing the standardized program model. Not just for energy efficiency, but for all aspects of the program.

One of the things I did mention before, as these programs can be administratively burdensome and what happens with the administrative burden is it gets either passed to the property owner or passed to the city.

And so one of the things that the CEC can do is essentially provide administrative funding to help support these programs.

The other thing that you can do that would help also drive down this interest rate, as I was talking about, is you can support a loan loss reserve fund, which basically means a loan loss reserve fund would be used to pay any delinquent or default payments. And then those funds could be recouped when those delinquent payments are made up and cured.

You could help buy down the interest rate. Actually, essentially again, setting aside a certain amount of money to help bring the interest rate down. It does mean that those funds would have to bear a certain amount of interest rate risk.

And then lastly, establishing a revolving loan fund. Essentially, and before these bonds can go out to market you need interim financing so that the property owner can receive their funding upon completion of their project. And they don't have to wait until a bond is issued or floated.

And so by establishing a revolving loan fund even in the range of 25 to 50 million, it allows us to aggregate these assessments or these properties until a larger bond before the go to market. And I think that would support easily a $250 million statewide program annually.

We're now going to open up for questions. And I'm actually going to defer speaking about CSCDA till later in the afternoon because we are running a bit behind schedule.

So, if there are questions from the Commissioners, as well as the public.

MS. CLINTON: Yes, Jeanne Clinton from the PUC. I have a couple of questions. And I ask these questions with a little bit of perspective. When I was at the California Power Authority across the street, we had a fair amount of challenges using the revenue bond mechanisms to try to finance energy efficiency and cogen in similar projects.

So, speaking to the question of the transaction costs associated with issuing bonds and bond counsel opinions, debt pool reserves and all that sort of thing, and knowing what these can amount to, do you have an opinion on whether there's a minimum loan size that lends itself to this kind of mechanism?

MR. LYNCH: When you say minimum loan size I don't know if you're referring to a minimum loan size to a property owner. I don't think --

MS. CLINTON: For an individual property owner.

MR. LYNCH: Yeah, I don't think that's necessarily the case. But I do think there's a minimum financing size. You know, we in the public finance community are used to financing things in the tens and hundreds of millions of dollars. That bears the cost of a number of financing participants.

To the extent, as you are in Berkeley, you're issuing a bond for $18,000, or a bond for $27,000, it starts to be pretty hard to pass through any portion of costs to those property owners.

The ability to have a revolving fund or some way where you have small bonds issued, or aggregated bonds, you know, if you have a regional model where every three months on a regional level you issued a series of bonds in the $5 million range, you would avoid some of the concerns about the inefficiencies of what we've been talking about.

Does that answer your question?

MS. CLINTON: Well, yes. And then the example you gave was $18,000. So I'm trying to think if we have a homeowner who wants to make $5000 worth of energy efficiency improvements, does this kind of financing mechanism lend itself? Or by the time you load all the transaction costs on, does it sink the attractiveness.

MR. LYNCH: Yeah, I think $5000 sounds pretty small. At the $18,000 level it's hard to bear a financing cost if you spread it broadly enough among a number of properties you could imagine that being successful. But 5000 seems small.

MS. CLINTON: Okay, so $18,000 seems

like a floor?

MR. LYNCH: No, I'm not addressing that. I'm just -- it all depends on how successful you are in achieving, you know, scale and efficiency, on those lines.

But at some point it stops making sense to charge an application fee. I mean does the application fee increase the effective interest rate by a significant amount, even though it's only $100. That's the question.

MS. CLINTON: Okay. Another question, and I'll try to keep these briefer. To what extent do you perceive that the --

COMMISSIONER ROSENFELD: Don't be brief; this is what this is all about.

MS. CLINTON: Well, I'm sure there are many others who have questions. I don't want to hog the floor here.

To what extent do you think there's going to be support for this in the lender community in terms of allowing these kinds of loans to take a senior, super senior or super status -- I forget the phrase you used -- super status or something like that.

MR. LYNCH: You know, that's a good

question. I don't think we've had the -- maybe others participating in the program today will have had discussions. I haven't had discussions with lenders where I've heard any conversation about that.

I do know that a number of lenders are interested in participating in the program from a financing perspective. And that may reflect, you know, their belief in the appropriateness of the program. But I don't think we've had meaningful discussions about that. At least I haven't.

MS. CLINTON: So it would seem as though that would be an area where we'd want to get a handle on, or at least try to present why this might be attractive to the mortgage lender community to allow these kinds of liens to go in the superior status.

MR. LYNCH: Well, the argument is that you're increasing the value of the property by the amount being installed on the property. And, of course, you're reducing the cost of operating that property, which can translate into the ability to cover the cost of those improvements.

But, yeah, I think that's an open issue.

MS. CLINTON: Good. Just two more quick

questions. To what extent do you think this kind of mechanism will practically lend itself to rental properties, tenant-occupied properties, where you've got the owner responsible for paying the property tax bill. And depending on the jurisdiction there may or may not be an easy way to pass on an increase in property tax obligations through rents.

MS. FRUSHA: I think definitely that is a challenge and a question as to can we apply these to rental properties. We haven't necessarily seen it in the Berkeley or the Palm Desert program. We have seen it in Boulder County where a number of property owners that have rental properties are installing these projects.

To a certain extent, to what Chris' point, it does reduce the cost of operating the building. And it does increase sort of the overall comfort for the renter. But can they pass that cost on to the renter. There are some innovative mechanisms for passing that through. Are those applicable to this program is to be determined.

MS. CLINTON: Okay, and the last comment I would make is in California you pointed out that the California Solar Initiative provides a convenient structure for a lot of certifications and quality control and that sort of thing.

When we turn to the efficiency side you're pointing out that we really need more in the way of some sort of a uniform programmatic structure that would get at what I understand to be sort of the assurance that the measures that would be installed, get installed, are performing and generate some financial savings that justify the taxes.

Do you have any thoughts about, you know, is the Energy Commission, if they were to develop such a program, would that meet that standard. Or do you think it needs to be developed by any other kind of entity or professionals.

MS. FRUSHA: Absolutely, that's a challenge. I think one of the things about energy efficiency, for those that are familiar with it, it involves guys with trucks, and it involves a number of different measures. It can involve a plumber, it can involve an electrician, it can involve just a general contractor.

And so how do you bring all those

different entities and different types of contractors under the auspice of one umbrella.

I do believe the CEC can definitely support that. And even help in the development of that. I think Brian Gitt from BKI will definitely spend a bit more time talking about what that might look like.

But do you, as a Commission, develop it. Or do you contract someone else outside of the community, or in the community, in the energy efficiency community to do that, I think, is also a possibility.

It is complicated and what does it look like. I think it really means there needs to be broad agreement within the community as to what these measures look like, and what performance we want to achieve. Is it a 20 percent, is it a 40 percent, is it a 60 percent reduction.

And I think an energy -- these are important questions that we need to ask in developing the program.

COMMISSIONER LEVIN: Can I just have one followup comment, and maybe question for the next panel to address.

We need to figure out whether we can

make this work for efficiency or not, for the reasons that staff laid out earlier, the purposes of the act and the importance of looking for programs that really stimulate job creation. And then the far greater number of jobs created with efficiency.

It's also our first priority in terms of energy supply is efficiency, before renewables, even.

So, Chris, maybe not to challenge you so much, but to ask upcoming speakers to address the issue of the application fees and the administrative fees and how we could make this work for substantial energy efficiency improvements to residential property, in addition to solar.

Because energy efficiency improvements presumably will cost less per household. And we need to figure out whether we can make that work or not.

So I would ask us not to immediately assume we can't do it at $600 per household, but figure out whether we can.

MS. FRUSHA: I would follow up on that just to say that a lot of these programs are establishing minimums of 5000, and even in the case of Boulder, they established 3000 as a minimum for financing.

It really becomes a question for the property owner, does it make sense for them, too, to be paying for 15 or 20 years the interest rate, as well as that amount of 5000. Is it really cost effective for the property owner.

One of the things we do know that is energy efficiency projects have substantial energy savings, even more so than solar. So I couldn't agree more that it is extremely important that we figure out how do we administratively, as well as through verification, do the energy efficiency component of these programs.

COMMISSIONER ROSENFELD: Susan, did you have any.

MS. BROWN: No, --

MR. BARTHOLOMY: Are there any more questions from the dais before we turn it over to the public?

COMMISSIONER ROSENFELD: I think we're ready for the public.

MR. BARTHOLOMY: Great. Well, then I'd ask folks just come to the dais, come up to the lectern and ask questions. And we have a line already forming there.

And after these questions are done we'll be getting into the panel of the communities that have already implemented this sort of program. They'll be giving a brief overview of their programs and open themselves up to questions, as well.

So, Mr. Frantz from SMUD.

MR. FRANTZ: Thank you, Panama. Stephen Frantz, Sacramento Municipal Utility District. Before I ask my question, a quick addendum to what Mimi said in response to your question, Jeanne, about how will renters benefit from this.

I went to a workshop on a similar topic last week, and I heard a reference made to a system in which the cost of the improvements to a multifamily building would be embedded in the electric rates paid by the tenants. Amortized over a long period of time. So the tenant actually pays for them as part of their electric bill. So we're going to be following up on that and seeing how that might work.

Okay, my question is for Mimi. I'm trying to get more clarity on just how easy it's going to be to fund these programs. And in previous sessions on this topic I've heard people who sounded pretty authoritative say there would be no problem finding a pool of financing money, because the return is pretty high and the risk is pretty low. I mean, given the sheer mechanism of the financing. Which makes it a rarity in today's economy. So it's a pretty good deal that would be pretty attractive to people looking for return on their money, private people.

But you're also, today, mentioned that there are questions on this. And it's the first question we get when we talk to local municipalities about whether they'd be interested in doing this: Where will the money come from?

So, being a novice in financing I'm guessing that the risk in buying a bond like this comes from inability to predict what the size of the market will be. So you don't know whether you'll get paid back because you don't know how many people will really take out loans.

A) is that accurate? And, b), if it is, is Berkeley's system of attaching a bond to each individual loan one of the ways of reducing the risk of buying the bond, because a debtor sort of comes attached to it?

MS. FRUSHA: Well, I think one of the -- one important aspect of these bonds, you do want diversity. So even if you were buying individual bonds, and there's a debtor associated with it, that eventually those bonds need to be pooled and aggregated, so you have a diverse pool of properties that are embedded in that bond.

To the question of where does the capital come from. In the case of issuing a bond for this program, and then using the cash proceeds to pay for each project, you really have to line up the property owners beforehand. Which means you know that there will be a number of properties which help securitize those cash flows.

And so in the case of even the AB-811- program, or sort of an example of Boulder County that's using the land-secured bond to roll out the program, they basically had to line up all the property owners.

So they said, who in the county is interested in doing a project. You need to commit to your project, and you need to sign the paperwork. We will float that bond and we'll now have the cash available to you. As you install your project you'll receive the funding.

Which is a guarantee now to the bond holder. When they go to price this bond they can say, listen, we have 500 property owners that have signed onto this project and will actually be using this project.

MR. LYNCH: Maybe I can also add a couple points to that. First, I want to correct a misperception. The Berkeley program has a different bond issue to finance improvements for each specific property. But each bond is secured by special tax payments made by all the property owners that choose to participate in the program.

A very important element for credit risk is diversity of repayment so you don't take the risk that one particular property owner defaults on the payment of special taxes. So that's why it's set up that way.

That's also why in the current market you don't see land secured debt selling particularly well, because it's often a small number of properties that are paying taxes and assessments. And so those types of bonds can be very expensive, bear high interest rates.

Boulder is out there seeking rating on

their bonds right now. And it'll be interesting to see what the rating agencies have to say in today's environment about a finite group of homeowners paying a finite amount of money and special taxes and assessment, as opposed to ad valorem general obligation bonds, where it's an unlimited tax rate.

The other thing I wanted to mention is in the traditional public finance land-secured transaction, each property owner is obligated to pay up to 110 percent of their share of debt service on the bonds.

This program really wouldn't bear that additional cost on a property owner. So we lose a little bit of the element of the traditional credit for a land-secured transaction. And that also plays into the ability to sell these bonds.

MR. WILLIAMS: Good morning, my name is Rick Williams. I'm with EcoEnergy Loans. And offering the whole concept of the EnergyStar loan. The EnergyStar mortgage is an idea. This is an alternative, an alternative very much a complement to this AB-811.

While I think the AB-811's got a lot of real prospect, but as we have discussed, we have very high interest rates. And my question to Mimi is with our interest rates now nationally, you know, the prime and everything is about as low as it's going to go, I'm really questioning how we're going to be able to drive rates down without massive subsidies.

The idea is -- I bring to the table the idea of how can we present to the homeowner, this is our target customer here, it's not anyone else, but the homeowner needs to have different choices.

Would they rather finance, let's take $15,000 worth of energy improvements, which would include both -- could include solar and the standard energy efficiency retrofits.

If we took it over even 7.5 percent, we're looking at a standard amount of $15,000 cost to the homeowner, and a 20-year, that'd be 120 a month. Rather if we took it out at 5 percent, the prevailing 30-year fixed mortgage rate, it would turn out to be $80 a month.

Also, unfortunately now with these higher interest rates, we're attracting only, as was mentioned, the higher income folks. And if we're looking at the whole of generation, what do we have with all these REO properties out here now. This is not for the high income.

We're taking a look at more the lower end building company boom, we take a look at some alternative products such as the FHA 203(k), which would allow them to actually go forward and retrofit that property, given the money within this program; produce that energy efficiency and get that 20 percent reduction.

So I look at the AB-811 as a fantastic program, and one that can be very well complemented by also a subsidy provided by CEC to the EnergyStar mortgage program, as is done in Colorado currently. Whereby we can actually buy the rate down to maybe 4.5 percent on a 30-year fixed, given today's rates. Time of implementation is maybe two to three months.

So, I'd just offer these ideas up as an alternative on how we can complement this whole AB-811 situation.

And my question to Mimi is you're much more, obviously, I don't know about these public plans, that's not my forte. How is it --

COMMISSIONER LEVIN: Sir, could you just speak into the microphone so people online can hear?

MR. WILLIAMS: Pardon me. Yes.

COMMISSIONER LEVIN: Thank you.

MR. WILLIAMS: How is it that we can actually drive the rates down? How much would it cost in terms of an interest subsidy from the CEC if we're looking at current bond rates being about as low as they could be?

I'm open to understanding more.

MS. FRUSHA: I would want to correct a few just sort of comments that are sort of around this. Is that, in fact, the rates are, I think considering current market conditions, are actually quite reasonable.

I think most property owners don't have a choice to go out and get other financing. And that actually home equity loans have either totally disappeared, or are actually going up.

I think we often believe that things are cheaper than they are right now, even though the interest rates are extremely low. It doesn't mean the cost of capital to property owners is extremely low.

And so I think, yes, we need to bring the interest rate down. And I also -- so that it can be more broadly available. I don't think it's only available, these programs are only accessible by higher income. It's those that are higher income.

And that if you want to really attract a lower income population, and I think that needs to be what that exactly looks like. High to moderate income populations are participating in this program. And even lower income are participating in this program, but how do you drive it across entire populations is really the question.

And so I just want to -- it is available to all, but it needs to continue to come down.

And there are choices for property owners, not only to use this program, but other programs that exist. And I think AB-811 is not perfect for all. It's perfect for some, and it's perfect for many, but how we make it perfect for all is definitely -- your point is well taken.

MR. WILLIAMS: And that's the challenge. And I only address the CEC for consideration of another way to subsidize to quickly impact the situation by creating jobs and definitely providing energy efficiency. Because we do have third-party verification available throughout the HERS test, or through the home performance with

EnergyStar. These are programs that are now out and obviously -- well, they're right here within this building, HERS is.

So, thank you.

MR. KERR: Commissioners, thank you for the opportunity to address you. My name is Breen Kerr and I'm a city councilman and former mayor from the town of Los Altos Hills. And we have historically taken advantage of a number of CEC programs to promote solar energy and energy efficiency. At one point we even had our own energy efficiency ordinance, which I don't recommend to anybody, by the way.

(Laughter.)

MR. KERR: So I'd just like to address your specific questions. What can the CEC do. I think, first of all, I'd like to recommend that the CEC maintain focus and pick out a few major initiatives and then execute on them.

I think there's a lot of things that could be done, but clearly solar energy is under, the adoption of solar energy is eternally under threat worldwide, and as well as in the state of California. And many of you may know that this year we're expected to have about a 40 percent reduction in the number of solar installs worldwide. And that's due to a number of factors which I won't go into, but I'm sure you're aware of.

So in order to keep this sort of adoption rate growing, which is something we want to do in our town, I think it is appropriate for government to provide some incentives.

So, specifically in AB-811 is a very interesting program and one that our town, we looked at very carefully. And at this point I feel like I've been fairly well educated on it.

And, you know, I don't think the administration issue is going to be a problem. I think there's some web engines that have already been developed, or will be developed. And the back office operation of establishing liens, I want to thank Renewable Funding for showing a way on that. There's probably other people working on that, so I think that's the first thing that the staff mentions, but I think it's the first thing that's already been solved.

The financing is an issue, and I think the CEC could do a couple of things. One, establish a pool or a sort of a temporary financing for JPAs, county agencies or city agencies that want to issue these bonds. So they can aggregate the bonds, but they can go ahead and accept the applications and approve the funding, as, you know, a temporary measure, drawing money from a pool, and then later issue the bond when, you know, all the -- say it's 5 million or whatever it is, has been spent. I think the CEC could do that. They could set aside some of this 200 million to facilitate that.

Secondly, I think it's already been mentioned that legal action needs to commence immediately to resolve some of these issues. And I guess I would say that if you want to find a way to stop a project, ask a lawyer.

(Laughter.)

MR. KERR: And as many of you know, you know, when you ask your city attorney for an opinion, or I guess your attorney, whoever that is, they will always come up with a lot of reasons why you can't do it.

So I think somebody needs to immediately fund resolving some of these legal issues and possibly involve the attorney general to help facilitate that.

There is a rather disturbing thing that comes to light as you study this, which is the issue of the senior lien and how various mortgage holders might react to that.

I can imagine the scenario where we go out and market this to our residents, and then all of a sudden a few of their lenders decide to call their mortgages on their houses because they have agreed to establish these liens.

So I think that that's going to be difficult for individual cities or counties to resolve. But I think the CEC could take the lead, and they could immediately being to think about how to do that.

I have some suggestions. One is to make it more of a business opportunity for the mortgage holders by formalizing some kind of process where they could be involved. Seek, sponsor legislation to prevent mortgage companies that engage in obstructive actions to not be able to issue mortgages in the state of California, or other such legislative remedies. But I think that the CEC is uniquely situated to deal with that.

MR. BARTHOLOMY: Councilmember, I'm sorry to interrupt you.

MR. KERR: Yes.

MR. BARTHOLOMY: Over here. We have quite an agenda ahead of us today, and we have plenty of time for --

MR. KERR: I'm just about finished.

MR. BARTHOLOMY: -- public comment at the end. And this part of the agenda is specifically for questions for this panel. So I would ask that either, if you have much longer to go, to please sum up, and maybe save --

MR. KERR: Okay, what -- yeah --

MR. BARTHOLOMY: -- the questions till this afternoon or address the questions in particular. Thank you.

MR. KERR: So, without the two-minute clock we're running over.

Okay, so, on the energy efficiency thing, there's a lot of programs out there. I think maybe it would be appropriate to set aside some money for that, particularly home energy audits and other things that could be enacted immediately.

But I do think that it's inappropriate to give a 20-year loan for something that might last for five years. Thank you very much.

MR. MILLER: Hi; my name is David Miller. I'm an energy efficiency program director at the Sierra Business Council. I have a kind of a question couched within a comment.

I think AB-811 is a great program; I don't mean to knock it at all, but I think it is really limited. As far as I can tell there's no way that AB-811 can address the needs of renters.

There is another program that the first commenter mentioned. It's a program involving putting a bill, an additional amount, on your electric bill. The program is referred to as on-bill financing. It's a wonderful program. It eliminates the so-called split incentive, which is the difference that the landlord has to pay between a non-energy efficient appliance, say, and an energy efficient appliance. The cost then gets passed on to the renter.

This on-bill financing has been used in New Hampshire as much as eight years ago. It's being used in San Diego right now. I would love to see the CEC pressure the energy companies to adopt on-bill financing so that it can be used as a mechanism for providing energy efficiency.

And I guess my understanding is that it

really does promote energy efficiency, as opposed to what we're seeing in AB-811, is that it really does promote more other sources of energy generation. Thanks.

COMMISSIONER ROSENFELD: Thank you.

MR. BARTHOLOMY: Okay, are there any other questions from the audience? We had a few questions from the web. They appear to have been addressed.

So with that, I would ask us to please thank Mimi and Chris for their time with us today, with a quick round of applause.

(Applause.)

MR. BARTHOLOMY: And Mimi is going to be talking about another program later on this afternoon. She's agreed, because we are, of course, running behind schedule, to delay that until this afternoon where she'll be addressing that. So we can get on to the next panel.

And as important as these issues are, I know they pale in importance to your lunches. So, we'll make sure to be getting you out in plenty of time to be able to ingest some of the wonderful food from this area.

So I will ask Mimi and Chris to please

take a seat. Thank you very much for coming up here. And I will now ask our next panel members, Gail Feldman from the city of Berkeley, and Rod Dole from Sonoma County, to join us over to the right of the lectern, over there. And we also have Pat Conlon from the city of Palm Desert that is calling in.

So, we're going to start with Gail, and we're going to load her presentation up as I'm introducing her.

These are the three communities that have, at this point, implemented an AB-811-type program here in the state. We've asked them to come in to talk to us about their experience in implementing these programs; some of the challenges and some of the interesting issues that have come up in the implementation of these programs.

And then some of the advice to other communities that are considering this, and advice to the state as we look at opportunities to help other communities develop these sorts of programs.

So they'll be addressing each of those. And we're going to do it chronologically in the order that these programs were created. So we're going to have the city of Berkeley first, then the city of Palm Desert. And then we'll finish up with Sonoma County.

So I'd ask Gail to please join me up here at the lectern, and she can give her presentation.

MS. FELDMAN: Thank you, Commissioners, for this opportunity to speak about the Berkeley FIRST program. My name is Gail Feldman, and I am the sustainable energy programs manager for the city of Berkeley for our energy and sustainable development division.

Just a little background. Part of our energy program includes doing an inventory of all of our greenhouse gas emissions. As Chris Lynch mentioned, we had a measure passed by the Berkeley voters two years ago which requires us to reduce emissions in the cit of Berkeley by 80 percent by the year 2050.

As part of that we've done our inventory through ICLI, and as you can see, over half of the energy, the greenhouse gas emissions are a result of home and commercial energy use. And primarily natural gas, but a large portion is also electrical.

The city has a number of plans. As I mentioned, measure G now requires us to meet a much more aggressive standard. Our general plan previously adopted had a 15 percent greenhouse gas reduction goal by the year 2010. We're getting there. We were at 9 percent between 2000 and 2005.

But more currently we are in the process of adopting our climate action plan which will address a number of measures to reach our goals through transportation and energy use, as well as waste reduction. That plan is currently going through the adoption process right now.

Just a little bit about our solar goals. Just looking at where we think we'll get to by 2020 by doing programs such as Berkeley FIRST and some of the other programs that we'll be talking about in a minute.

Just through solar PV and thermal we think we can meet 11 percent of our greenhouse gas reduction goal. And just looking at where we are and what the goal is from residential, we're currently at 2.9 megawatts installed in Berkeley. The goal would be, by 2020, to get to 5; and then similarly commercial is at .27, and the goal is to get to 1.3. And so to get there we do need to provide some incentives, some education around the benefits of solar.

We have a number of other energy and renewable programs. We've had an energy conservation ordinance in place for almost 20 years now. And it's a very basic program, and it's not a very costly program. So we don't provide a subsidy for that.

However, we are in the process of making those standards at a higher benchmark so that we can actually get some greenhouse gas savings. So while that's still in development at this time, I can tell you that we will be looking at trying to tie it to HERS rating scores, and trying to encourage people to meet a certain benchmark.

And how we will do that, and what incentives we will be able to provide is really going to depend on programs both from our stimulus funding as well as what you may determine is appropriate for the state of California.

We also have our low-income weatherization program, which is the lighting program, a federally funded program. We just launched a new program, the solar smart program --

smart solar program, which is really an educational component where we have a nonprofit organization that will provide independent, free consultations for anyone in the city of Berkeley regarding their solar installations and also some energy efficiency improvements.

And so that just launched yesterday. It's funded by the Department of Energy. It's part of the Solar America Cities program. And we're very excited because we think that's really going to move us towards this 11 percent goal for installing solar.

And then finally what you really wanted to hear me talk about today is Berkeley FIRST solar financing program, which we have, I guess, pioneered at this point.

Although it's a very small program, it's in pilot. And so I'll just talk about that briefly. You've heard a bit about it from Chris Lynch and from Mimi from Renewable Funding.

Our program, as it's structured and adopted, allows us to finance solar and energy efficiency for both residential and commercial properties.

As Chris mentioned, we use the model,

community facilities district model from the Mello-Roos Act. And then we receive funding back through property tax levies on the participating properties to pay off the bond indebtedness to the district.

Just a bit about the steps that the city has to go through in order to enact this, and this again follows much of the Mello-Roos Act requirements.

The city of Berkeley is a charter city. We have to adopt special tax financing laws in our municipal code. And again, we incorporated aspects of Mello-Roos. But, again, if SB-279 passes that would take care of that type of framework for other cities.

The city council has to establish the energy district. They adopt goals. They have to set bonded indebtedness. And just for your information, Berkeley's bonded indebtedness for the district is $80 million. But for this pilot phase we're only committing to issue 1.5 million.

And then, of course, we have to levy special taxes on properties that participate.

For the applicant the program is basically fairly straightforward and simple. For participation they apply online. A title check is conducted to make sure there's no outstanding liens or defaults on their property tax.

And then the property owner actually contracts directly with the solar installers. We have the requirements that all of the participants must sign up with the California Solar Initiative for the rebate program. And as a result, all of our regulations are tied to CSI.

They must be in compliance with the city's residential and commercial energy conservation ordinance. And then we will provide the financing at the time that they can document that the installation's been completed, and that they've met all these other requirements. And we only finance the amount that's met the CSI rebate.

And, again, from the city standpoint, the process that we go through. After the installation's completed we place a tax lien on the property, a special tax lien. We then purchase -- or we sell bonds to Renewable Funding on an individual basis. Each bond is sold separately for each property, as those projects are completed.

And then we will be providing semiannual tax payments or debt service payments to the bond purchaser. And those debt payments are received from the property tax payments that we receive biannually.

And ultimately the plan is to aggregate those bonds and resell them in the market. And you've heard a number of times about that earlier. And, again, we will, as a city, at this point have to cover any portion of late payments. So we set aside a reserve fund out of the city general funds. Now, because the bond issuance is very small, that's a small amount of money, it's about $100,000.

But should we continue the program up to the $80 million of issuance, that number will become significant. That is an issue that needs to be resolved. Most cities are probably not going to want to use the general fund resources to set aside a reserve for defaults.

This is just a financing example from our program. You've heard about the interest rate. Our interest rate's at 7.75. That's all costs. So that includes the program cost for the ongoing administration, but it's not much. And it actually doesn't cover my salary or any of the city staff time that's spent to administer the program.

So, as I mentioned, we're in a pilot phase. We have up to $1.5 million available. And that's going to fund approximately 40 solar installations, all PV. We set a cap at 37,500 for property. And there's really no match to that, although most residential installs are coming in at the $20,000 range. But this was actually so that we could have wide geographic distribution in the city of Berkeley. We have eight councilmembers, so we actually allocated five projects per council district.

And then we opened up the application period for a very short period of time, just two weeks. And basically the selections were based on first-in for each of those districts.

MS. BROWN: Gail, do you have a similar financing option for efficiency improvements?

MS. FELDMAN: We don't have that at this time. That would certainly be part of a second phase rollout if we have that opportunity. And I think it was mentioned the reasons that we don't is that there weren't any standards that we can specifically tie a program to. So we didn't have time to develop those in time for this rollout of this first phase of the program. But it's certainly our interest to do that.

Just briefly, staffing, as I mentioned. I'm full time to the program, although I do have other responsibilities in our division. We have a community specialist that helps with some of the public relations, the websites, and some of the media contacts and customer service.

But we also work directly with Renewable Funding; they act as our administrator for the applications and all the document processing.

Our finance department prepares the tax rolls annually; issues payments to the property owners; and manages the debt service payments.

And then we have other consultants that we work with regularly. Chris Lynch, our bond counsel; our financial advisers; our fiscal agents. So it's quite complicated. And all of these have costs associated with them.

COMMISSIONER ROSENFELD: Gail, Berkeley has a residential energy conservation -- commercial, and you mentioned that.

MS. FELDMAN: Yes.

COMMISSIONER ROSENFELD: So you have

many properties which are sold every year which have to be brought out -- cost effectively only, of course, towards Title 24. So you must have criteria for --

MS. FELDMAN: Our current ordinance is fairly limited. I didn't get into the detail, but just some examples of what's required under the RECO ordinance. And it is, again, as you've pointed out, at point of sale. So each house has to be compliant at point of sale. And that's how we monitor and enforce it.

But things in our ordinance are basic. Toilets that are 1.6 gallons, heater insulation, door stripping -- door weather stripping. And it's very basic, not very costly improvements to most homes in the city.

So we require that right now at point of sale, but what we would like to do is improve some of the standards to above the Title 24 standard. And we are just right now reviewing what those might be, and who would do those assessments.

And, you know, we're really hoping that we'll be able to have HERS raters come out and provide those services. But, again, the community wants to know how much is that going to cost, and then how will we pay for that.

So those are the things that we're addressing right now, and hope -- try and pilot something through our block grant allocation.

Just quickly -- and I think that some of these are fairly administrative in nature but one thing that I think is important is making sure that you have participant commitment right upfront.

We set our program to have a very low barrier to entry. We only require that they make a $25 payment at the time of application. And that was just to cover title check costs.

And so as a result we had a number of people drop out of the program pretty much right upfront after, you know, they really looked at what the details are.

So I think in the future we would certainly either insist on a higher cost for entry, you know, a higher payment for the application; or perhaps at some point early on signing a contract that was enforceable. But, again, I think that's how Boulder's designed their program.

Timing on property tax is important just to make sure that when a city or county sets up the program, that they're receiving a tax in time to make their payment. Otherwise, you end up bumping up against needing to charge a higher interest rate to the property owners for participation in the program in order to have your costs available for your expenses upfront.

Of course, cooperation with everyone involved in the tax, property tax administration structures of counties need to be aware of the programs and how they function. And some of that will certainly be worked out as the state adopts more clarity in the legislation. But at this time, particularly with our program, we were sort of charting new territory. So it helps to begin that process early on.

Again, these are just some administrative things that we suggest to other cities. And also, you know, one of the ways that we marketed the program was we had very little upfront costs for our property owners. But, in fact, a number of the installers do require deposits.

And so, again, you know, this is where, you know, trying to make this program accessible to lower income property owners becomes a problem, as they don't have the upfront cash for these kinds of deposits.

Just some next steps. I think it was raised earlier that passage of SB-279 will certainly assist cities and counties who want to do a financing program with another model, another option available to them.

We also think that the programs that have been established need to be evaluated. We will be doing an evaluation of our pilot. We fortunately have funding, both from the EPA and from our air management district, to do that. And we'll be doing that over the next year.

And then, as I mentioned, for energy efficiency, we want to move into that area, whether it's through a financing program, or whether we need to do something with our block grant funding. But we do need to have the HERS trainers available, training done so that we have HERS raters available. And also the providers or contractors.

And then as far as the financing, the lower interest rates are necessary in order to encourage more people to participate. And perhaps that could be done through loan guarantees to drive down the costs of the interest. But, in any case, for our program we're going to need to continue to look for financing to bring down the interest rates.

And then as far as whether it's rolled out on a local city level or a county level, again, we want to look and see whether there's statewide options or regional rollouts that make more sense as far as the economies of scale for doing this kind of financing program.

So that's my presentation, and I'd be happy to answer any other questions that you have.

MR. BARTHOLOMY: I think we're going to hold questions.

MS. FELDMAN: Okay.

MR. BARTHOLOMY: Thank you very much, Gail. I just asked her to hold questions for when the panel's completely done. We'll ask questions of the entire panel at that point. So, thank you very much, Gail, very informative.

At this point we're going to bring on Pat Conlon. He is the manager of the city of Palm Desert's energy department. The city of Palm Desert, not only a leader in energy and energy efficiency programs, but also one of the most prolific producers of sunlight in our state. So we're really happy to have Pat joining us today to give a presentation on Palm Desert's program.

Pat, are you online?

MR. CONLON: Yes, I am.

MR. BARTHOLOMY: Great. Well, we can hear you very clearly. And I will be helping out, assisting you with your PowerPoint. So just go right in and let me know when you want me to advance.

MR. CONLON: Very good. Hello, welcome from Palm Desert. I'm sorry I can't be with you today. I was tied up this morning in budget hearings. And as you know, public administration 101, never miss a budget hearing.

Next slide. We have a energy program, the city of Palm Desert; energy efficiency number one, solar number two. Everybody understands that, right? In the room?

COMMISSIONER ROSENFELD: Righto.

MR. CONLON: Everybody should be nodding their head. Energy efficiency is must more cost effective than photovoltaic solar. Everybody nod their head now.

(Laughter.)

MR. CONLON: All right. Especially down here in Palm Desert. We live in a very hot climate zone. We use a lot of energy for air conditioning.

We have a citywide energy savings goal, save 30 percent of our energy citywide in five years. Thirty percent savings equal 214.7 million kilowatt hours of power. About 48,000, 49,000 savings off of our peak demand load. That really interests our utility. They kind of freak out in the middle of August down here. And also, 5.7 million therms of natural gas savings.

Our five-year program started on January 1st of 2007. It ends on December 31st of 2011. Currently, as of the end of March, we've attained 32 percent of our goal, 67.4 million kilowatt hours of savings. A little over 21,000 shaved off of our peak demand load. And we've saved 1.8 million therms of natural gas.

Carbon units. Removed about 36,000 metric tons of greenhouse gas; 7000 cars or so removed from the road so far. For the Republicans in the audience, annual consumer savings of over $19 million in the city of Palm Desert a year.

Talk about where that money goes, it's not going to the utilities. So hopefully it's going into the community.

COMMISSIONER ROSENFELD: Pat, this is Art Rosenfeld.

MR. CONLON: Hello, Art.

COMMISSIONER ROSENFELD: Your cars off the road, those are equivalent cars removed, right?

MR. CONLON: That is correct.

COMMISSIONER ROSENFELD: Okay.

MR. CONLON: That is the equivalent, the equivalent of removing 7000 cars. Using the ICLI formula for that.

So, here's a point, you know. If you want to promote an energy program in your city, nobody cares about kilowatt hours. Nobody really cares about therms. If you want to promote a powerful message promote annual consumer savings to the citizens of city of Palm Desert. That gets a lot of traction.

When, not if, when we get to our five-year goal of 250 million kilowatt hours, that's going to be the equivalent of about $48 million in annual savings to the citizens of Palm Desert.

It's kind of cool.

Now, we have an energy efficiency program. And one of the things that we've identified early on -- we started this program back in 2007, as I indicated -- number one hurdle, number one hurdle why people have not invested in energy efficiency has been financing. Above and beyond all the rest.

We know this because we've done about 4800 energy surveys in the city of Palm Desert. We've followed up with those energy surveys and we've asked people, hey, have you invested in energy efficiency. Number one reason, no, they haven't; it's not a good time for them to go to the bank; they're worried about their credit score; they're worried about the reduction in the property values. Or the excuse, oh, I'm not sure I'm going to live in my house for maybe two or three years, so I don't want to put the money into it.

So we started the energy independence program. We call it EIP, for short, and that's what I'll use from now on. EIP is our loan program where we fund energy efficiency first, solar second.

Now, we've done two phases of our loan program, total of 7.5 million; 208 loans; 88 of them were for PV solar systems; 120 of them were for energy efficiency projects.

Number one in energy efficiency down here in Palm Desert is, of course, high performance air conditioning. Insulation, windows, urethane foam roofs, we run the whole gamut of energy efficiency.

We have a prescriptive standard of energy efficiency requirements that we will fund. For example, in California, as you know, the minimum SEER efficiencies of the air conditioning units currently is 13. We will not fund the coded minimum. We will fund 14 SEER air conditioning equipment and higher.

Currently we've sold out of phase one and phase two. We have a waiting list for phase three of our funding, about 180 names signed up on it. And there's a tremendous momentum built up down here in Palm Desert.

Next slide. I know you guys are all hungry, so I'm going to move through these quickly. AB-811, you have to do education and training. You have to educate and train your staff on exactly what AB-811 can and cannot do.

You know you've missed your message when your city councilman calls you and asks why you cannot fund a new swimming pool.

(Laughter.)

MR. CONLON: So there's something wrong there. So you've got to let everybody know exactly what AB-811 is all about, and train, train, train.

In AB-811 you will see, sprinkled throughout the law, reference to real property. An assessment on real property. Understand what real property is, especially as it pertains to mobile homes. In the California Health and Safety Code mobile homes can be considered real property when they are in a mobile home subdivision, and the mobile home is permanently attached to a permanent foundation. And the mobile home owner has a HCD form 433(a) on file with the state of California. Then that mobile home becomes real property and you can fund it per AB-811.

Obviously, you don't want to fund mobile homes within mobile home parks, because when that mobile home moves to Arizona, you're going to be left holding the bag.

Title reports. We get title reports and title insurance on every single loan. Make sure you staff knows how to read title reports. Know what to look for. Make sure the property owners are who they say they are. Make sure that there's no IRS or state of California Franchise Tax Board liens. Actually, we make sure there's no liens on the property at all.

Also be careful with trusts. When the title report is in the name of a trust, legally only one trustee can execute the loan documents with the city. However, because we get title insurance on every single loan, or title insurance company, First American Title, is much more restrictive. They require all trustees to sign the loan documents.

The problem is, as you know, a trustee may or may not be deceased, on the property, and trust has never been amended. So, jumping down to item number five, you want to be able to assist your property owners on how to amend the owner or trustee's title.

Also set up your title reports so you can do them via the internet, very quickly. The title company is in San Bernardino, about 100 miles away from Palm Desert. And we can zip everything back and forth from San Bernardino to Palm Desert via email, very quickly.

Be careful about fraud. We've had some people, how should I say this, ask for more money than what the improvements should actually go for. So when your staff is reviewing the applications, make sure your staff is trained on what the market rates are for solar systems. We know what they are, they're running from between 7.50 a watt to $9 a watt, in that range. We know how much high-performance air conditioning costs, depending on the size, the capacity of the unit and the SEER value.

So when the staff is reviewing, make sure there's a nexus, a reasonable nexus between the amount of money that the property owner wants to borrow and the type of improvement they're going to do.

We had one property owner come in with a proposal from the contractor for $20,000 replace a three-ton air conditioning unit, which, as we all know, should cost around $6000. Lo and behold, the contractor happened to be the property owner's brother-in-law. So, just be careful about that.

Train your contractors on the program requirements. Okay, train them, train them. Your contractors are your number one sales force. Solar contractors, air conditioning contractors, general contractors for insulation, windows. Train them. Feed them lunch if you have to, but they are your number one sales force. We've had to do very little advertising on our loan program here in Palm Desert. It's the contractors who have been promoting this loan program. And they really love it.

As you know, certain properties do not pay property taxes. And if the property does not pay property taxes, how are you going to give them a loan when your property tax is your mechanism for repayment?

So, you have to come up with a mechanism to handle tax-exempt properties. This is a political issue. We're talking about churches, we're talking about all kinds of 501(c)(3) nonprofit agencies.

We set up a charitable donation requirement here in the city of Palm Desert where these properties can apply for loans for capital improvement projects because they do not qualify for AB-811.

Next slide.

MR. BARTHOLOMY: Pat, this is Panama. You can't see it, but I am flashing you the five-minute warning.

MR. CONLON: Okay, very good. I'm sorry.

MR. BARTHOLOMY: No, you're right on time.

MR. CONLON: Large pent-up demand. Expect to be overwhelmed. We are. People are going to have to wait for the loans. Make sure you plan your staff appropriately. Expect a lot of calls and a lot of people walking in.

Clarify your program requirements till you're blue in the face. And then clarify them some more, because they're going to keep asking the same questions over and over again.

Publish your program requirements, your loan applications, everything, on the website where people can download. Expect to send a lot of faxes and a lot of mail out.

We strongly suggest the property owner get an energy survey, energy audit. It is not a precondition for the loan in Palm Desert. Our legal people have some issues with privacy on that. So it is strongly suggested. We want to make sure the property owner is educated as to what is more cost effective.

People are going to be waiting in line for these loans. So once every two weeks, proactively give them a call or send them an email. Let them know where they are in the process. Let them know that you haven't forgotten about them. It will save a lot of calls into your department.

Work with your finance department. Assure a timely payment to the property owner when the property is inspected and the loan is signed off. Again, a lot of these contractors like to be paid within 30 days of the completion of work. So work with your finance department not to string these people out.

And last thing is make sure, make painfully sure the property owner knows the dollar impacts of this loan on their property taxes. You do not want anybody sniveling to your city council at a public hearing. Make them sign the amortization form, each page of the amortization form, so they are aware you have a documented backup that they know how much their property taxes are going to go up with a $60,000 loan on a solar system.

That's it for me. Next slide, final slide. Website, we have the website there if you'd like to download our loan documents or information on our energy efficiency program, please visit.

You can send me an email. I'll be happy -- cities, if you need my staff reports, if you need my resolutions or any of my VIP council actions, including the ordinance, I have them available for you in a Word format. I'll be happy to email them to you.

If you do request, you have to be from a city. If you're not from a city, I can send you the pdf file. But for cities, I will send you the Word document.

Message to the CEC: Thank you for allowing me to be here. Please help us with the validation process. We're talking about the 218 issue, 218. And the super-priority lien issue. Help us with the validation process.

We also -- we have AB-811 in law in California. The loan process is straightforward.

It can be as easy or as complicated as you want it to be. But the number one hurdle we have now in implementing AB-811 or any loan process is the funding of it.

So there's going to be an upcoming energy bill, federal energy bill. Congressman Mike Thompson, Democrat from Sonoma, is going to be introducing language allowing cities and counties across America to qualify for tax-exempt financing to fund energy loan programs.

We need everybody in the room, we need support on this federal amendment to the U.S. Tax Code. Please contact Travis Robey, R-o-b-e-y, first name Travis. He is at Congressman Thompson's Washington office. Area code 202-225-3311. Express support for amending the U.S. Tax Code to allow cities and counties across America to get tax-exempt financing for energy loan programs.

Thank you.

MR. BARTHOLOMY: Thank you very much, Pat. We really appreciate it.

I'm going to move on to the last speaker of this panel. Let me assure those of you in the audience, we will be giving you your full amount of time for lunch.

We are blessed with a number of local elected officials here today. And there's no better person to bring up right before lunch than an elected official because they are always very sensitive to constituencies out there and will adjust their comments accordingly.

(Laughter.)

MR. BARTHOLOMY: We are joined by the County Treasurer for Sonoma County, Rod Dole. I've heard wonderful comments and reports about his presentation on the program they're setting up.

He was chairing a meeting of the state controller offices -- what was the group, Rod?

MR. DOLE: Financial reporting.

MR. BARTHOLOMY: Financial reporting. And he left that a little bit early to be able to join us here today. And so we really appreciate him coming up here, and look forward to your comments. Thank you very much.

MR. DOLE: Well, thank you. And it's a pleasure to be here today. I'm going to approach this a little bit different because you heard quite a bit from Pat. And, thank you, Pat.

He also put in a plug for our Congressman Thompson. And he has agreed to carry that bill. And we are hopeful that that will help us lower the interest rates on our program, which is a fixed rate of 7 percent, by 1 to 2 percent points. So we're really excited about that endeavor.

I am the auditor, controller, treasurer, tax collector for the county of Sonoma. The two titles that really pay off here are the treasurer and tax collector, because we've been talking about how to finance this program. And those two titles helped us in Sonoma County to implement this program.

I am also the program administrator, which is unique. Usually you don't put the finance guy over the program administration, but in Sonoma County somehow I've been given that title.

From the beginning we decided to set a philosophy for our program which is simple and easy financing. And that's what we try to do with this program.

We have four different efficiencies that we are looking for in our program. The first is, and this is unique, is we put water conservation into our program, because 50 percent of the cost of providing water is energy.

We have energy conservation. We have solar. And then the last slide, which is not obvious, is custom. We have included custom programs for energy efficiency. And we have technicians that will look at programs that offer some unique custom conservation.

Our program was put in place on March 25th. On February 3rd the board gave me a directive to implement the program. We had gone through a economic or financial feasibility report prior to that, and determined that if our program could generate at least $10 million of loans per year, per year for the next three years, we would not only cover our administrative costs, but we would cover all of our initial costs to establish this system.

We had our first contract signed on April 16th. We are at $3.1 million after less than four weeks of operation. And all nine cities have agreed to sign on with our program.

This is just a geographical map of Sonoma County and our cities. Shows when they're signing on with the program. Our largest city, which is Santa Rosa, signed on on the 15th. And as you can imagine, that generated a lot of interest, because they are about one-third of our population in the county of Sonoma.

We sell this program, or we market this program to the community. Pat said it very well. Your solar installers, contractors will market your program. They are out there like crazy. They have taken out full-page ads in the newspaper, advertising not only themselves, but our programs. And that has made it easy for us.

We, in our presentations to the community, these are the things that we discuss from their perspective. One, greenhouse gas reduction enabling the residential and commercial property owners to make responsible and affordable improvements to their property. No money down.

Financing will assist in them qualifying for rebates and tax credits. Right now they can't get loans, unless you have outstanding credit with the bank, you cannot get a loan with the bank. We set our interest rate at 7 percent. We did a survey of all the interest rates offered by banks on equity lines. They were 1 to 2 percent above our 7 percent. So we know we're competitive.

Now, I heard comments earlier about you can get interest rates lower on your property. And, yes, you can if your loan-to-value is about 50 percent on your property. And you can probably -- I just refinanced my home for 4.75 percent. But if you do not have that loan-to-value ratio it is very difficult to get an interest rate that's below 7 percent.

We call it the easy payment plan through property tax. I'm the tax collector for the county of Sonoma. We have established in our program a five-year payback, a ten-year payback and a 20-year payback. Our minimum loan is $2500.

I met with realtors before -- well, I met with a number of stakeholders, and we'll talk about that, including the lenders prior to establishing our program. The realtors said we needed a program that was 5, 10, 20 years. So that the property owner would have some options.

And then last, but not least, what we've seen in generation of jobs. I can't tell you how many installers have come up to me and told me how many additional positions and jobs and people they have hired as part of this program.

Assessments are confusing to most people. If you get your property tax bill, if you look at the bottom of your property tax bill there's usually a listing of assessments, everything from water bonds school bonds, et cetera.

This is one additional assessment on that property tax bill. That's difficult for most property owners to understand. They also worry about being reassessed on their property due to this program. And we have provided information to them regarding whether this transaction would generate a reassessment or not. And we've also made our assessor's office available in case there are further questions.

Most of this is familiar to everyone. I think one of the things that sells this program is this does not impact credit score, or has not, to date. Now, on commercial property assessments are taken into consideration if they borrow money. But in the case of most individuals, this does not impact their credit score.

And what seems to sell our program the best on the assessment is the assessment follows the property, doesn't follow the homeowner.

Therefore, the benefit goes with, if you will, the person who receives the benefit of the improvements pays for that. And if you only own your home for the next three to five years, and sell that to the next individual, they'll pay the assessment over the remaining life of that efficiency.

This is how our financing works. We have dedicated $100 million to our program, and that is interim financing. You have to break down this program into two parts, interim financing versus long-term financing.

I mentioned I'm the treasurer for the county. We have a $1.8 billion portfolio. We invest that daily. What we have done is shaved off 3 percent of that portfolio, $45 million, and said we will dedicate, instead of buying treasuries right now, we will instead invest in this program.

The guaranteed interest rate back to the treasury is 3 percent. That's substantially better than I can invest $45 million right now, as the treasurer.

In addition, we have an investment. Our water agency has invested in this program. They have an investment for about $70 million. We've asked for $55 million to convert that investment into this program.

In essence, in Sonoma County we have a financing authority, so what happens in this case is the financing authority issues bonds to the treasury. As the treasurer, we purchase that bonds, we provide $45 million to the financing authority, which provides that money to our Sonoma County energy independence program.

As you can see there, twice a year, there's assessments or property taxes are paid from the property owner. Goes to the Sonoma County energy program. And then pays back the financing authority, which will pay back the treasury.

Now, our intent is we will build up capacity up to $15- to $20 million. At that point what we will do is attempt to sell bonds. We may not be able to sell bonds in this environment.

So what I've been doing is I've put together an investment term sheet, and I've been approaching potential buyers. Pension programs, deferred comp programs, credit unions, S corporations that don't pay income tax.

This would be a good instrument at a very good interest rate. We are assuming that they would be interested in an interest rate somewhere in the 5s in order to purchase this paper. Could be wrong, but we're hoping.

We went with a longer, we went with the 20-year amortization because what we heard from the installers -- and again, I met with a number of stakeholders including the installers, contractors, -- and what they said was on commercial property at 15 years they'd break even. Financially solar made sense at 15 years.

So we went to 20 years because the expected life expectancy on solar equipment is 25 years according to the installers.

Feasibility report. We did a financial feasibility report. We were concerned whether this program will pay for itself. And it will pay for itself, as I said, ten years of loans per year for the next three years.

Once we hit $25 million, we know this program will pay for itself annually, including the initial costs.

We met with realtors, lenders. I met with both regional banks, national banks. I met with Wells, BofA, Union Bank. I met with all of our regional banks to find out if they were concerned with this program, for two reasons.

One, the superior lien issue. The second is market share. And then any other concerns that they might have. And we made modifications to our program to address their concerns.

Their biggest concern -- they were not concerned about residential property at all. They were not concerned about the superior lien on residential. They were concerned about commercial property. But for a different reason. They were concerned that commercial property owners might not approach this program from a logical standpoint. And therefore the banks were concerned that the property owner would not consider whether it was economically feasible or not.

But they were not concerned with residential at all. And I'm assuming they're not concerned with residential because those loans are sold to Freddie Mac and Fannie Mae.

Which brings up another issue. If you require the property owner to seek the approval of the first mortgage lender, how do you do that when the loan's been sold on residential property. Same is true on commercial property.

In our program we are requiring commercial properties to check in -- property owners to check in with their first mortgage holder and get approval.

I met with those large banks. I also met with the environmental groups. I met with mayors, councilmembers for the cities. As you can see, all nine cities have agreed to be part of our program. They are very excited.

Our cities -- this program will be administered without any cost to the cities. The only commitment that they have to make is we ask that they market our program through their mechanism, their websites, their newsletters, in their planning departments, in their building inspection departments.

And they will conduct the building inspections for the project evaluation after the project is done, and possibly during the project in progress.

You need to be creative in these programs. We had to be creative on both the financial side and on the administrative side.

Carbon credits. This one came up, especially with our partnership with the cities. Who owns them? And we created a partnership. We have a joint powers agency of Sonoma County Transportation Authority. We have a water agency in the county of Sonoma. And the carbon credits will be owned by those three partners.

Worked with the lenders. Knew that this would be an issue from the beginning. I'm an elected official, couldn't stand the heat later on, so I figured I'd just meet them right upfront. This was very important for us. And they helped us move forward.

We have a storefront, website. You need to have this. Not everyone's comfortable going onto the internet and signing up for your program. We knew that in our community, and we needed to establish a storefront with computers there so that we could assist them in evaluating their properties for energy improvements. We knew that they wanted somebody to ask questions. And we established both access to our citizens.

I should go back. There's one other item, Teeter. I heard a discussion about delinquent property taxes. In California we have a mechanism that most counties have. I think there's only four or five counties that do not have this system in place. And that system guarantees the delinquent property taxes.

So, for example, in Sonoma County right now we are experiencing about 4 percent delinquency. That's about $30 million. $30 million.

In this program we guarantee the property tax revenues to every jurisdiction in Sonoma County. And the way we do that is we buy those delinquent property taxes. We issue bonds. And then over the next one to five years, we collect those property taxes plus penalties and interest and repay those bonds. That is a very common practice in California.

In this case we have made our program part of that Teeter program, or alternative method program. So the payments on the assessments are guaranteed as long as the superior lien continues.

We have legal opinion saying superior lien does apply to this program. I've heard comments and concerns contrary to that. But we do have legal opinion in that area.

You need the tools for both tracking the energy efficiencies, but not only that, the applications. And I think the presentations by both the city of Berkeley and the city of Palm Desert reflect that. You really need to understand what's happening with your program and whether it's efficient, and whether it's getting the job done.

Team. We had -- on the team that I had for putting this program together, and again, we put this program together in six weeks. And that gave me two weeks to provide it to the board in advance.

Probably most important was my legal team, both internal and external. I had efficiency experts. I had program people, administrative people, I had finance people that all were on the team. About 15 people were working on this at one time.

And I want to thank both the city of Berkeley and the city of Palm Desert for all their help. They were phenomenal. Made all their documents available to us, and really sped up our process.

Marketing. I don't know, we set aside

$200,000 for marketing. I'm not sure we're going to spend it, because they're doing it for us right now. We do plan on marketing the program, we're just not quite sure what that is right now.

Again, I'm the tax collector. I'll be sending out property taxes in October. I can guarantee you a brochure regarding this program will be in every tax bill in Sonoma County. And that's 176,000 people that we will market to.

Legal team. Again, inside, outside. Got to be a strong legal team to help you through the issues on this program.

How you could help us. Energy Commission, we really need your help. Interim financing is extremely important. You have no idea of the interest in the program, you just know it's going to be more than you probably can put together in dollars.

Again, $3 million. Not all of our cities signed up yet in less than four weeks. That's a phenomenal project.

We also need assistance in long-term financing. We need to sell bonds. We need to lower that interest rate to motivate people to get involved in this program.

Our goal in Sonoma County is to reduce our GHGs by 25 percent of what our 1990 levels were by 2015. So we need to move this program along.

Help us fund new technologies, websites. Websites that allow the property owner to go on and evaluate the efficiencies that could be achieved on their property.

Also to deal with what Pat brought up, the frauds associated with this. They can actually determine the efficiencies that can be achieved, but also determine the cost, the normal cost of providing these efficiencies. And there are websites in development right now that should be able to help us. And if you could help us in that area, that would be great.

Online energy evaluations, data collection, standards for energy improvement installers. That's a big one. For a long-term success.

We need your help in seeking legislative action for the superior lien. Clarify the superior lien. Tax-exempt energy bonds. And, again, thank you to Congressman Thompson for helping us out in that area. And other impediments to the AB-811 success.

And we've heard discussions about whether prop 218 applies or doesn't apply. And that's an interesting discussion, because prop 218 was put in place to protect the homeowners from being assessed, and therefore certain standards were put in place. In this case each homeowner is agreeing to assess themselves. So it's, if you will, from our perspective a 100 vote to increase their assessment.

We are sonomacountyenergy.org. You can get copies of all of our documents for the program, other than our feasibility report and our policy decision matrix for our board. But if you contact us, we will provide that so that you can see what policy decisions we made as part of our program.

And that is our phone number to our storefront. You're welcome to come up and see us. And with that, I'll close.

MR. BARTHOLOMY: Thank you very much, Ron. Really appreciate that. If the folks in the room could join us in a light round of applause for our panel, please.

(Applause.)

MR. BARTHOLOMY: We very much appreciate you taking time out of your busy schedules and implementations of exciting programs to come and educate us on those programs.

We're going to just a short amount of time for questions and answers before we send you off. And I welcome any questions from the dais for the panel before we send you off to your hour and 15 minutes of lunch that we promised you early on in the day.

Any questions from the dais for the panel?

COMMISSIONER ROSENFELD: Yeah, I have questions for you, Rod, two of them. The first one is you sort of skimmed over this important issue of delinquent payments. You sort of implied that, oh, well, we'll sell bonds and they'll get paid eventually. What's your experience with delinquent taxes? Do they get paid eventually?

MR. DOLE: We have, again, California has a code section that allows county auditors, controllers, to establish what's called an alternative property tax allocation method.

And in that case the property tax revenue is guaranteed to the jurisdictions. So, for example, in the case of the city of Santa Rosa. If we bill on an annual basis $50 million worth of property taxes for the city of Santa Rosa, they are guaranteed $50 million, even though they may have experienced 4 percent delinquency on the collection.

What we do, as a program, we buy those delinquent property taxes. And then we sell bonds to finance that over the next up to five years.

So in this case if you issued bonds on these assessments, the payment to the bond holder would be guaranteed by the same system, by the same mechanism. We would -- so if the assessment to be collected that year was $10 million, the system would guarantee the $10 million payment to the bond holders even though there may have been a delinquency.

The way we do that, the way we finance this is we sell bonds. When we eventually collect from the property owner, or sell the property, we collect not only the delinquent property taxes, but we collect penalties and interest. And the penalties and interest for delinquent property taxes is substantial. It's 10 percent penalty immediately and 18 percent interest rate. So it's substantial. And it pays for the system that pays for the delinquencies.

COMMISSIONER ROSENFELD: The other thing is you differ, of course, from Berkeley and Palm Desert because you are a county. I'm just giving you an extra 30 seconds on your talk. Would you like to express an opinion, are there other counties that are interested, something about the economies of scale, us dealing with counties rather than cities?

MR. DOLE: There are a number of counties that are interested in this program, and we've been in contact with them. Some of the larger counties, San Diego County, Riverside County, Santa Barbara County, Monterey County, Marin County, Napa County have all been -- and I'm probably leaving -- and L.A. has been in contact with us most recently.

All of them have been in contact with us. We have shared our documents with them. They are watching our first, in the state of California, countywide program to see its success. And for us to sort of break through the issues that exist.

But, yes, there are a number of counties that are very interested in providing this program to their county.

There's also an interest by ABAG to provide maybe a regional approach to this. Again, what's most important to this program is economy of scale, the number of contractual assessments you enter into.

I mentioned $25 million as a break-even for us for administration and previous costs. You need to be a substantial county or organization in order to cover those administrative costs.

COMMISSIONER ROSENFELD: Thank you.

COMMISSIONER LEVIN: I have a quick question for all three speakers. I don't know if Mr. Conlon is still on the phone.

Well, first of all, I want to thank you all. Your presentations were incredibly helpful. And thank you all for just, for each of you really taking a lead on this and showing the rest of us the way.

My question is hopefully very quick. Have any of the participants in your various programs heard or received any formal objections from their mortgagors to date. I know you said that in Sonoma County the commercial property owners have to seek authority or agreement ahead of time.

But for the residential participants, and any participants in the other two programs, have there been any formal or informal objections raised?

MS. FELDMAN: What we've heard from the participants is either they get no response, which is not surprising, I think, as probably some of the administrators are not -- but also we've heard that they'd like us to subordinate the lien. And that's pretty much it. But no one has given their participants, you know, either approval or given them a disapproval.

MR. CONLON: In Palm Desert we have one large commercial loan for solar, over $500,000. They have received approval from their lender via a consent agreement. We haven't -- we're going to be implementing consent agreements in all loans over $30,000.

We expect there will be problems, as was mentioned earlier, with getting banks to approve a residential consent agreement.

MR. DOLE: Our experience has been very few denials or nonapproval. We did receive some, which surprised me because I had met with the banks, especially in the case of Wells Fargo and BofA.

I think it's more of an educational issue at this -- it seems to be more of an educational issue at this point.

I met with the regional banks' CEOs and loan, chief loan officers. We made modifications to the program to reflect their concerns. Should not be a problem at the regional level.

Because of my contacts with Wells Fargo, BofA and Union Bank, they had told me that it was not a concern to them. However, just recently we had a nonapproval by one of those banks. And I'm now following up to find out what's behind that. We're going with the detail.

But we're assuming it just hasn't filtered down into the organization yet. We ran into this with farm credit. As you know, we're in the wine country. We had a very large winery, wine manufacturing that wished to make energy improvements. They contacted farm credit; farm credit said, no, we can't do this.

And then when we had their legal people sit down with our legal people, they then understood what this program was all about. That it was a property assessment just like any other property assessment established under the streets and roads code section. And they were fine.

And now they're fine. They've now trained their people to look at more the financial side of this. Should this property owner enter into this because they can afford it, rather than, no, this isn't a good program, and we're not going to approve it, period.

So, anyway, I do think we are working -- I'm working with them directly to try to create that education and make sure that it doesn't become an impediment to the program.

COMMISSIONER LEVIN: Thank you very much.

CHAIRPERSON DOUGLAS: I have a question for Sonoma County. I was interested by your including water efficiency in this program. And would appreciate it if you could clarify what kinds of water efficiency measures are included; and also, how those measures -- and I realize this will vary very much by jurisdiction, but how those measures compare to energy efficiency measures and/or PV in terms of savings to consumers or homeowners once the costs are in the assessment.

MR. DOLE: I did mention I'm the finance guy. I'm not the energy person. As I said in the presentation, we determine that 50 percent of the cost of providing water is energy, moving it from one location to another location is about 50 percent of the cost.

I don't have a good answer. And I wish I'd brought one of our technical experts from the water agency to address your question. And I'd certainly make that person or persons available to you and the Commission to answer that question specifically.

CHAIRPERSON DOUGLAS: It would help if you could follow up possibly in written comments or with staff. One reason for asking the question is just that most of the water use, and we really look at where to save water, is in landscaping.

And I'm curious about whether your program touches on that or not. Or whether it's more focused on inhome appliances such as showerheads and toilets.

MR. DOLE: It's both.

CHAIRPERSON DOUGLAS: It's both.

MR. DOLE: Irrigation systems, smart

irrigation systems are included in our program. If you go to our website there's a listing of all eligible projects or program costs that qualify for our program. Those are included, so it would be showerheads to smart irrigation systems.

That we also include custom projects, as I mentioned before. We are very interested in new ideas in this particular area. Water is huge to California, it's huge to Sonoma County. And we really believe this is a byproduct of energy conservation. And we're pushing that in Sonoma County. And other counties like Mendocino County would love to also be able to do that.

CHAIRPERSON DOUGLAS: Thank you.

COMMISSIONER BYRON: Quick comment, Madam Chairman. Mr. Conlon, thank you for being here; in fact, all these presentations have just been excellent. Goes to show that these cities and this county are clearly plowing new ground here and doing very well. So, thank you for these.

MR. CONLON: Thank you.

COMMISSIONER BYRON: I will not probably be able to join you right after lunch, but it seems like you're running far enough behind that I hope to make it back for the last presentation.

(Laughter.)

MS. CLINTON: This is Jeanne Clinton. I'd like just a quick question for you, Mr. Dole. Could you expand a little bit on your comment. You had four recommendations on where help was needed. And one of them was help with long-term financing. And I'm not sure that I caught exactly what kind of help you think the state can provide.

MR. DOLE: Well, the first help would be support us in getting the tax-exempt status on these bonds. It really will reduce our interest rates to the homeowners by 1 to 2 percent. That's huge in this program.

The other part is, you know, helping the market understand what these bonds are all about. And the security behind these bonds. Again, in California, we have the Teeter or the alternative method. The payments can be guaranteed under that program.

When you go out with a new product like this, they call them story bonds. And you have to actually go and convince the rating agencies, the market, what these are all about. And Sonoma County did this back in 1993 when we issued the pension obligation bonds. And you have to market these bonds.

If we could share information with your Commission so that you understand not only what these bonds do, and the benefits related to them, and how secure they are, it will help us sell those bonds in the market and lower interest rates for homeowners.

MS. CLINTON: Okay.

COMMISSIONER ROSENFELD: Dumb question because I'm supposed to have learned this this morning, but you just said helping get tax-exempt status for the bonds. How do we do that?

MR. DOLE: I think supporting -- again, Congressman Thompson is going to be authoring a bill; at least that's our understanding at this point, that would -- and we are not just doing this as Sonoma County. The city of Berkeley, city of Palm Desert have been involved in this. And the state treasurer, Bill Lockyer, has been involved in this as a partnership. And have provided language to Congressman Thompson that would make these tax-exempt bonds.

As I think Chris Lynch mentioned earlier, right now we would have to sell these bonds as taxable bonds at a much higher rate because, again, to the bond holder they expect a higher yield if they, in fact, have to pay taxes on these bonds.

Which gets to why I'm looking for alternative purchasers for notes or bonds, such as pension programs that are not subject to income tax, credit unions, deferred comp programs, et cetera. Because I know this program is growing so fast that I'm going to get to $15- $20 million quickly, and I need to look for that long-term financing.

COMMISSIONER ROSENFELD: So we support Conlon's bill.

MR. DOLE: Please.

COMMISSIONER ROSENFELD: Yes, sir.

MR. BARTHOLOMY: Any other questions --

MR. CONLON: No, not Conlon's.

COMMISSIONER ROSENFELD: I'm sorry.

MR. DOLE: What was that, Pat?

MR. CONLON: Thompson.

COMMISSIONER ROSENFELD: Thompson.

MR. DOLE: Thompson.

MR. BARTHOLOMY: Any other questions from the dais? No, okay.

It has been requested that we try to insure that future questions from the audience be as blood-sugar fueled as possible. And so in order to enable that, we're going to now take lunch.

There's going to be plenty of time for public comments and questions throughout the rest of the day, after lunch. And so we're going to break now for lunch, and we'll be coming back and starting at 2:15 here at the Commission.

For those of you on the phone, we will now be moving on to lunchtime. And join us again at 2:15 by calling back in.

Thank you very much.

(Whereupon, at 12:52 p.m., the workshop was adjourned, to reconvene at 2:15 p.m., this same day.)

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AFTERNOON SESSION

2:20 p.m.

CHAIRPERSON DOUGLAS: Could we have the speakers for the next panel please join us up at the table in the front of the room.

MR. BARTHOLOMY: Andrew, if we can have you also join us up at the table.

(Pause.)

CHAIRPERSON DOUGLAS: Panama, could you please get us started?

MR. BARTHOLOMY: Great. Thank you, Madam Chair, and welcome back from lunch, everybody.

Quite a full morning. I hope you got everything you wanted out of that morning session. I think you'll agree it was a great set of speakers with real leaders within our field right now.

We are now going to be joined by the second generation of leaders in this field right now, with a group of communities that are looking at the opportunity of implementing AB-811-type programs within their cities, within their counties, and within their regions.

Each of these speakers is going to spend about ten minutes talking about some of the details of their program, some of the timelines for setting up these programs, and then offering some advice to the state about how to best take part in helping jurisdictions such as theirs develop these sorts of programs moving forward.

We are also going to be hearing from Mimi again, talking about the California statewide communities development authority program. We're going to add her in here probably right about in the middle, probably right in between Mr. Bailey and Mr. Rapport, as we move forward and hear about that program, as well.

We're going to hold questions until the very end before we move on to Brian at that point. So if there's no questions or comments from the dais, we will start off with the city of Sacramento, and Yvette Rincon, if she could come up to the dais. Come up here to the lectern, please.

MS. RINCON: Good afternoon. My name's Yvette Rincon; I'm with the city of Sacramento. And I coordinate the city's sustainability programs.

I want to thank the Commission for

having me today and allowing me to talk about where we are with our program and where we see we're going. And how we can -- what suggestions we have for the state in terms of helping us out and being a partner in this program.

Where are we? Basically at the staff level over the last couple of months we've been internally discussing how we can use AB-811 as a tool. We've been engaging our treasurer's office, and so we've also heard the concerns that were discussed this morning about the financing and the bond market condition.

But at the end of May we hope to have mayor and council approval to officially move forward in developing an AB-811-type program.

We see this financing tool really as a critical piece in our overall strategy to reduce our greenhouse gas emissions both locally, regionally and at the stat level.

Not only will it help our residents and our businesses to install some energy efficiency improvements and solar. We think it's also going to be a tool to help us as we move forward with our green building ordinance and our residential and commercial energy conservation ordinances.

So, what is our plan. We definitely will be reaching out regionally to our county, to our utility district, the cities within our district, as well, or within our county.

There is already some momentum going on within the Sacramento area. The Valley Vision is a business group that has a green subgroup. And they have already had some preliminary discussions about how we can move forward with AB-811. And that's the Valley Vision group that has been convening those meetings, and will continue to. And that will definitely be a partner of ours, as well.

We see in the regional partnership as a benefit to really reduce costs and share costs. And also create a consistent program on a regional level.

What we're hoping to do is combine energy efficiency and solar in the program, and find a way to really prioritize energy efficiency because it's so cost effective.

Like I said, we are nowhere near program development and design. Like I said before, end of May is when we'll get official approval to start moving forward.

And we feel the program execution implementation will really depend on the availability of seed funding for us. I think you heard this morning that most folks either have dedicated their general fund or have private investors that are providing this upfront seed money to get programs up and going.

That leads me to the challenges that I see, and it's stuff that you probably heard this morning, I'm sure of it. But really the lack of seed funding to get the program started, Local government budgets and budgets everywhere are in pretty bad shape.

There is a possibility of competing -- we're going to be competing for funds at the federal level, hopefully to provide the seed funding. We see market penetration as a challenge. If we throw the party is anyone going to show up. We can establish the district and create the program, but are we really going to get the level of participation that we would like.

It was nice to hear Sonoma and Palm Desert and Berkeley all say that that wasn't an issue for them, and they had lots of willing participants.

We're a little bit unique, and I'm sure every jurisdiction is, but we have really good rates on our energy. And so that makes it somewhat of a challenge, which we are not complaining about at all.

The other one, the condition of the bond market. You heard about this this morning. If we go to the market, what kind of rate are we going to get on our bonds. Our treasurer's office is really concerned about this.

There were also discussions about really the development of the market and investors really understanding what they're going to be buying into. And then the issue of default and how do we protect ourselves from participation.

I want to also focus now on just the opportunities for the state to partner with local governments. And these challenges being viewed more as opportunities to address the challenges.

We see an opportunity for the state and the Energy Commission to provide seed funding, or I think someone talked about it as a revolving loan fund. Giving 1 to 2 million to cities or counties, or both, to get the program up and running.

Like I said, we can establish the district, create the programs, but it's really that seed funding to get the program up and moving, and creating the jobs and realizing the energy savings in homes and businesses.

We also feel like there's a need for incentives to really reach the market and get the folks in the program and participating at the level that we'd like to see. There is likely a need for greater incentives. We have local incentives and I know that there's some at the state level, and perhaps at the federal. But really to move the program we see a need for that.

And also finally, just providing the buydown of the cost of the funds. Like we mentioned before, the challenge of going to the market and getting high rates. I don't think that any of the groups that spoke this morning have gone to the market for a bond yet, but are anticipating that the cost might be relatively high. So that provides another opportunity for the Energy Commission, I believe.

I want to make this short, so I think the message that I just want to get across is that we are really interested in partnering with the state and at the local and regional level to move forward in terms of reductions of greenhouse gas emissions.

We have our own goals locally, and we feel that we are a part of the state and want to move the state towards their goals, as well.

And we feel like this is a strong tool and a powerful tool, and like anything, there are challenges but we see that there's real opportunities, as well.

Thank you.

(Applause.)

MR. BARTHOLOMY: Thank you, Yvette. We're now going to bring up Andrew McCalister with the California Center for Sustainable Energy. He's going to talk about the work that they're doing in the San Diego region with local governments within that region to develop programs such as AB-811-types.

MR. McCALISTER: Thank you, Panama. And thank you very much for the opportunity to be here. This is a very exciting time. And we're all dealing with lots of things in parallel, and this is one of the primary things for us, and most of you in the room, I'm sure.

I have to have the obligatory slide of what is CCSE because many of you won't know why CCSE is presenting here. So there it is.

But really want to focus on the program administration and some of the technical assistance. The program administration, we're actually the administrator of a solar program, the California Solar Initiative. And the only solar water heating pilot or incentive program in the IOU service territories in California.

So, we're kind of in the middle of the solar side of things. We also provide a lot of services on the technical assistance, on the energy efficiency side, technical assistance, and then program administration within the utility portfolio with a partnership with SDG&E.

So I think that context sort of gives you an idea of how we're approaching this. We agree with the comments that really integration is key if we're going to meet our long-term goals. And we have to find out a way to do that.

I mean this is a -- I think the tone here is that there really is, this is an historic opportunity that we have to take advantage of. It will not come back to us in another generation or so. Where there are funds and will available to come out of the back end in a couple of years when the stimulus money is going away, to really have a human and physical infrastructure, a programmatic infrastructure to have changed business-as-usual.

And so I think that's the challenge that's before us, and it's just a huge opportunity. And I really hope that we can work together to make it happen.

And so, with that, in San Diego here's the sort of summary on AB-811 and what's going on. Mimi will talk more about the CSCDA, California communities program, which is a statewide JPA that she mentioned this morning.

There's a very high level of interest. We're on that team with Renewable Funding and the rest of the team. And so there's a very high level of interest in our local cities, particularly the small ones. They're waiting to kind of see what happens, to see whether they can opt into a countywide program, a statewide program, or go it alone in their own program.

So we're going to have, as everything is moving fast, I can't give you the date, but we're going to have a meeting with the local governments in May sometime at CCSE to flesh that out, and really gauge the interest and start moving forward to move the individual council resolutions and really start fleshing out what the program will look like.

On the specific city level, San Diego County has 18 cities in it. So it's 19 jurisdictions total. The county, I think the gentleman from Sonoma mentioned that San Diego County has actually looked at this, and they've done a lot of due diligence. Have kind of decided to see what happens with some of the individual cities and other program options.

San Diego started with an RFQ and they're done with the RFQ. They have interviewed firms for the RFP, and the RFP is forthcoming, in the coming days and weeks, I believe. So that will be -- RFP with the vetted firms.

And their stated focus is on residential PV. There's a small window for some energy efficiency, but they've really focused on a relatively small scale program, up to around 300 systems, with a focus on PV. And, you know, in partnership with the selected vendor, they'll design and ramp up their program.

So, that's a point for discussion, I think, if we're looking to integrate. You know, we need to figure out how to do that over time and how to take the programs and morph them as it makes sense for each local jurisdiction. And with that appetite for that perception of risk, really, is what it boils down to.

And Solano Beach is a small city in north coastal San Diego, and they have an RFP that they went through the process and received proposals. And it's closed, and they're in evaluation. That is an integrated program, energy efficiency and solar. And they really threw it to the proposers to come up with models that do integrate both.

So, I think both of these are sort of -- they're each at a different end of the spectrum. San Diego's obviously by far the biggest city with roughly half the population in the county. Solano Beach is a relatively small city. And so it's good to have both of those cities moving forward to see what happens. And then overlaying that you have the CSCDA.

And then other jurisdictions are waiting on results from these programs. The county is wanting to see, and the smaller cities are definitely on the edge of their seats to see these first experiences and either opt into a similar model, or do something in response with that learning.

So, sort of, you know, my brief read on this, our brief read is that, you know, from the solar program perspective, solar installers generally have a pretty specific business model in that they don't generally provide raw energy efficiency services, and there are reasons for that.

And I think, you know, we are pushing the marketplace to try to offer more energy efficiency services with mixed success, I would think, at best.

And there are few qualified building assessment professionals. So if you want a HERS rater, you're going to require that. There's only like six of them in San Diego County. So that infrastructure really needs to be built up and made uniform.

The programs, themselves, the CSI program is moving, albeit slowly, towards integration of energy efficiency and solar. And that's a good thing. And the Energy Commission has been pushing in that direction, which is great. And also common sense pushes in that direction.

And the challenge, I think, for all of us is to build up that infrastructure so that it's a seamless decision that's not overly complicated for that home or business owner to be able to integrate easily all of the things that are going to optimize their investment. And so, you know, that's a really fundamental point.

The customer, starting with the customer. The customer has to have help with the value proposition. What is the value proposition to the customer. Why should they have a more complex, you know, experience with multiple contractors, what value is it going to bring to them.

We know that the energy efficiency is what they need to do. We need to take the difficulty, or to take the transaction costs out of that as much as possible and standardize it.

They also need help with their project execution, and that's where, you know, boots on the ground is needed to make these programs work.

So there's a nascent performing optimization, technology, you know, ecosystem I'm calling it. But it's a group, you know, the contractors that are involved in this sphere that work together and that make these projects happen with a minimum of fuss and with a maximum of value for the homeowner and the businessowner.

And that's critically important. And that involves a lot of different pieces. And I think over time we're going to get that right. And I think that's the really critical need here.

And here's basically a laundry list of things where the regional and state entities, state in particular, could guide this process.

I think again this EE infrastructure, energy efficiency infrastructure, needs to push towards integrated solutions.

Got some of this this morning, but I think the performance-based approaches are really important. We have to be able to compare apples to apples, know what happens in each project. Do a pre and a post and understand what's going on there, so that we know what the savings actually are. What is happening in reality in the marketplace.

These performance criteria have to be part of program designs. I think that's very clear. And at the same time, countervailing tendency, we've got to go to work to streamline and manage the cost. So, you know, we can't throw all the resources in the world at each project. We have to do it prudently.

I think regional approaches are a really good level. So counties, obviously that's where the tax assessor lives and that's where many of the transaction costs, some of the transactions costs sit. So it makes definitely good sense to have that be a core piece of the puzzle.

Low-income initiatives are out there. There's a lot of money going towards low income. And there's talk about moving low income up market. And there's a need to move AB-811 programs down market or towards the middle market. And I think there must be coordination there. The resources, the job development aspect affects both ends of that. And I think we really have to figure out ways to piggyback one on the other and use the workforce development to make sure that these programs get implemented, again, seamlessly and efficiently.

And then just the big, huge need for education and support, for workforce development. You know, I think contractors, several people noted this morning that contractors are the primary marketing channel, which is absolutely true. They have to be educated. They have to be giving messages that are accurate.

The homeowner actually has to have tools to enable them to check what the contractor is saying, so a motivated homeowner needs to have tools. And also there need to be public sphere tools that are somewhat tailorable, at least I think.

And the solar programs are doing this on the solar side. But it really does need to become a more rich experience that's more information intensive, I think. And the contractors need, they have to be a driver. We have to drive them to be the drivers to do this in front of the customer.

So, this is one example of a tool that several cities around the state, not just in San Diego, are developing. And, you know, that -- each yellow dot there's a solar system. But there's no reason why we couldn't use a tool like this to do energy efficiency. Who's done energy efficiency retrofit; who's had a HERS rating.

You know, make it real for people so they can go here and say, hey, look, you know, this is really happening in your neck of the woods. And there's a real value proposition here.

They can go, you know, 2.0 functionality of a tool like this could have -- allow them to have a conversation and say, you know, look, walk them through the process. We're going to need to provide that experience for the homeowner. And there are lots of tools we could use to do that. I think leadership at the state sort of draws some of that, at least would be really nice. Or at least learn from what individual pockets are doing throughout the state.

So then I'll leave you with one more point. Just a couple slides on this. Solar and energy efficiency actually are already going together quite a lot, just in the marketplace.

And I think there's this misconception that people are only going solar but not doing anything else. And part of that is because nobody's asked them.

So we did a survey of all the addresses

we had for solar installations, which is from ERP days, all the way through to the end of the last year. And we sent survey -- we did server -- and paper surveys. And the ones that were in San Diego, and a letter from the mayor, you know, please answer.

Anyway, so far we've gotten 614 respondents. And 85 percent of them had done some energy efficiency, have installed or plan to install. The vast majority of those have installed already at least one energy efficiency upgrade.

And those are the measures that they've installed. Out of the 614 that responded, none -- 98 said they haven't done anything on energy efficiency. And many of those were actually in the future upgrade category.

And then you can look, you know, there's a wide variety of things that people did. Lights, appliances, windows. And they linked that. We asked them, along with their solar system. And so these are the things that people are doing.

Now, is that systematic enough? No. It really needs to be built into the system. But I think that people are open to this message.

And, you know, you can see here that when people install solar, for example, they become more conscious of their energy use. And I think the reverse is true, too. That when people start thinking about their energy use, they think of all the options, including energy efficiency and solar.

So there is an existing, I think, you know, mindset that's changing that is manageable. We need to figure out how to do that and shape it. I don't think we're starting from zero. I think there actually is a quite receptive marketplace in many areas for this kind of a message and this kind of integration. And we need to just make sure that we're intelligently making it operational at a reasonable cost to, you know, ratepayers in the state.

So, thank you very much.

(Applause.)

MR. BARTHOLOMY: Thank you very much, Andrew. I know I already feel more conscious about my energy use for that. Appreciate it.

We're now going to be joined by Wendy Sommer from Stopwaste.org to talk about Alameda County's plans and their regional coordination around developing a program such as this.

So, Wendy, thanks for coming up.

MS. SOMMER: Good afternoon, and thank you so much for having me here today. And we have a little bit of a different twist than from what you've heard this morning.

We're calling our program green packages. And it's really just a user-friendly name for the countywide resource efficiency project for greening existing buildings and landscapes, which is a mouthful.

So for those of you who are not familiar with us, we are public agency; we're a joint powers agency. The Alameda County, itself, is a member, all the 14 cities in Alameda County and two sanitary districts.

And we have a 12-year history, a track record of launching innovative green programs including the first green building guidelines for residential construction, that now, under the purview of build-it-green has become a statewide guidelines. And we have done that for new construction, for remodeling.

And we also, based on those guidelines, we've launched the green-point rater program that you may have heard. This is a rating program for green homes. And part of that is the existing homes green-point rated; that was the first program in the nation of that kind.

And we just received a grant from the Energy Foundation to do a multifamily, existing building greenpoint rater program. So we're in the process of doing that.

And another component of that is the climate calculator, which is really important to our jurisdictions. This is a system that can calculate the environmental benefits. Not only energy saved, by gallons of water saved, tons of materials diverted and CO2 reduction, which we are calling climate calculator.

And we also have a history of 50 jurisdictions working together cooperatively. As some of you who may know Alameda County, our jurisdictions vary differently demographically, geographically, politically. But we've managed to have really strong cooperation. As a matter of fact, this green packages program has been endorsed by the Alameda County City Managers Association.

We are a population of 1.5 million. And

our target is a total of 570,000 housing units.

So, the green packages. Green packages is actually just one component of an overall program that we are launching. The packages, itself, will contain standards or specifications or some people call it implementation measures for green improvements.

And currently we're starting with single family existing homes. But hopefully when we have funding we can explore commercial, small commercial, multifamily, as well as landscaping.

An important part of this program is the technical advisory group. We want to make sure that we involve our stakeholders, that the standards that we're developing are usable and widely accepted. And we minimize the duplication of other programs.

Outreach, of course, is extremely important. We want to help property owners understand not just the benefits of the green improvements, but what options are available to them.

Training and verification and tracking. Of course, we want to make sure that the property owners and the funders get the quality assurance that they need, but also tracking the benefits for our jurisdiction, so it can be linked to their climate action goals.

And last, but not least, is leveraging funding, which is why I'm here.

So, why this approach? We really want to have a comprehensive approach of not just focusing on energy efficiency, but including water and resource conservation and indoor air quality and health. So it's a green package.

Now, parts of the energy efficiency measures within the green package will be eligible for financing through AB-811 or a Mello-Roos district.

But just to make it clear, we are not proposing the development of a financing district. What we're doing is creating the building blocks, creating the packages that can then be plugged into a financing district. Whether the financing district is going to be available or not, we want that option so that consumers who are ready to get the money from different sources can use the green packages.

We're in this for the long haul. We're just using the federal stimulus and the energy efficiency momentum to transform our market in Alameda County for our long-term green improvements, including water and resources. And, again, linking to climate action and our diversion goals.

So, just some numbers for you. The next few years this is just a conservative estimate. We are targeting a penetration of 1.5 percent of our housing units. And we're estimating $115 million in local private investment from labor and materials that will generate 1100 jobs; and 43.5 million in energy savings; and over 46,000 tons of CO2 reductions.

Of course, this number would be significantly larger if we were looking into transposing the CPUC goal that has been established. So by 2020 if we target all of our housing, that number will be significantly higher. We'll be looking at $7.7 billion in local private investment; 75,000 jobs created; and over 3 million tons of CO2 reductions.

Partnership is extremely important in all of the programs that we do at Stopwaste.org. So, as implementation partners we have selected BKI because they've worked with a lot of our jurisdictions, including ABAG. Renewable Funding, because they, too, are experts in the AB-811 financing district. And Build-It-Green, because they are the nonprofit in California that is administering the green point rater program.

We will have the technical advisory group that will consist of Alameda County and all its jurisdictions. But also air, water, resources agencies, utilities and regional agencies.

Another important partner for us is to get policy input and statewide coordination. And we are actively involved in the California home energy retrofit coordination committee that was initiated by USEPA Region IX. And some of your staff is already involved in this group, as well as CPUC Staff and CARB and SMUD, PG&E. And also some private entities, as well as cities.

So the reason we wanted to share our program with them early on is to make sure that our programs are consistent with Title 22 -- Title 24 and HERS II program, as well as CSI and other local programs.

We are really concerned about having a balance between supply and demand, because we don't want to have a workforce available but without any consumer demand.

So our green packages will create verifiable, easy-to-understand standards and measures that can be communicated to the workforce. And then also to the consumer.

So, consumer acceptance and demand. We feel that there is still a big barrier. This is probably one of the biggest barrier, because a lot of the property owners still think that energy efficiency or green or solar is either expensive, hard to understand, hard implement.

And so we think how you can help us is by providing us with more leveraged funding to do marketing and consumer education. Education energy efficiency and what I think you're calling loading order. We are used to the word hierarchy.

Even last week when I was in Berkeley and there was a question posed to the homeowners who were participants of the Berkeley FIRST program, the question was if there was a energy efficiency package when you sign up for your program, would you have been interested in it. And all of them said no. And that is really worrisome. I think it's also we need to have a lot of education on the consumers.

And what's really important in our community, and I believe in California, too, that we have a multi-language and multi-ethnic approach to training, as well as consumer education.

And last, but not least, what I always heard from installers and contractors is that there's got to be some kind of incentive for consumers to jump-start the program.

And so what we were thinking is since home performance testing is so foreign, it's still foreign to consumers, and it's probably something that they're not willing to pay out of pocket, it would be really great to have some kind of rebate that will provide some assistance in this area.

So, I've laid out kind of like a $5 million request that on top of that we have already committed $130,000 to start creation of these green packages. And our jurisdictions in Alameda County will be contributing up to about half a million dollars.

So, between now and July, we are finalizing the jurisdiction allocations and contributions and leveraging our funding. Starting in July, June and July, we'll start the technical advisory group kickoff, as well as creating these green packages for single family residential units. And hopefully we can launch by December.

So that was my presentation. And for more information this is my contact number. Thank you.

(Applause.)

MR. BARTHOLOMY: Thank you, Wendy, we really appreciate you coming all the way up from Alameda for that.

We're now going to hear from one of our utility partners. Going to welcome Marty Bailey from Roseville Electric to come up and talk about what the city and the utility in Roseville are looking at creating in their area.

So, thank you very much for coming down the highway, Marty.

MR. BAILEY: I'd like to thank the Commission for an opportunity to speak today. When Panama contacted me he said there would be a few people for me to speak to. Thank you very much, Panama.

(Laughter.)

MR. BAILEY: I appreciate that. The city of Roseville is about four and a half miles east of here, for those of you who do not know. We've been a municipal supplier of power since 1911. We've been supplying energy efficiency rebates since the early 1990s and solar rebates since 1998. So we've been a strong proponent of all of these issues for quite some time.

I'm going to try to not let my utility-versus-city schizophrenia develop too severely here today, and give you a coherent type message.

When I was first handed my assignment last August to begin to look at this, I was convinced this was a program that we could do on our own. As time has gone on, though, and I've seen the complexity that's involved with this, certainly that belief has rapidly eroded.

As a city involved with so many of the things that we have to do as part of our core issues, this is an important program that has many levels of complexity. So as I move towards what I recommend is most likely going to be more towards some type of joint action.

As I said, we're municipally owned. Being a utility, also we're in a position right now to offer the services that are really mandated for this kind of program. We have energy efficiency program experience, as well as program experience with PV.

We have rebates available to buy these loans down. And, in fact, we want to do so. So we, like everyone else, collect funds from our rates that are specifically earmarked for that. As a matter of fact, we consistently over-spend the mandated levels. So we're very committed to that.

Importantly, also, that we have staff on hand that can do the audits, that can do the assessments. So we think we're positioned well in terms of support, but there's some other areas that we think we're not adequate in. And also a good knowledge of our customers.

But the utility paradox right now is that our revenues are declining. So as we need to get more and more energy efficiency out of our customers, it's becoming more and more difficult to do so. And I suspect our revenues will be declining or relatively flat for awhile. I suspect it's going to take a few years for us to get back to where we, in fact, were.

So how do we get more energy efficiency out of our customers. Well, we see AB-811 as an ideal tool to, in fact, make that happen.

On the new construction side we do a pretty good job. Since 1996 all of the new homes built in Roseville have had HVAC that are two points higher than the state mandate. We have new construction commercial mandates in place, also, but it's in the existing stock. It's in the retrofits that we continue to have an issue.

For us, I'm convinced that cost effective energy efficiency will be our number one priority. Roseville last year was ranked as one of the top ten cities in the nation for solar. We do a pretty good job of solar.

And so for us, being a hot dry climate, HVAC load is a significant part of what we're trying to solve in Roseville. How that's implemented is still to be determined, but it's an essential part of what we see ourselves doing.

The funds that are spent on solar, we certainly see the mingling of our rebate funds as a way to implement parts of SB-1 also, which will also bring energy efficiency as part of that equation. But for us it's going to be, I think, primarily a focus on energy efficiency.

The needs. Obviously the city sees the

job needs, and we see the load needs. We are facing some pretty significant mandates regarding greenhouse gas reductions. We're facing significant mandates regarding energy efficiency. And we see this as an essential part of what we need to do.

So, what we have done. Since August we've been reaching out on the regional level and the local level with the city stakeholder groups to investigate what our next steps should be.

In March we presented a paper at a meeting of California Municipal Utilities Association on AB-811, which got a good response. May 13 we're sponsoring a CMUA meeting in Roseville. We expect to have about 20 cities there, specifically to talk about AB-811.

We are searching for ways to have some type of joint action. I think everybody agrees now that that is, in fact, the best way to make this happen.

We've met on a regional basis with the county, with the city of Sacramento and other agencies also. So, for us, trying to seek out that regional solution is what we want to do.

If anything about AB-811 were to keep me up at night, which occasionally it might, competing programs in a geographical area are probably at the top of my list. I think there would be nothing worse for the customer than to have to decide, should I use a Roseville, or a county, or a state. They're confused enough about energy efficiency. I think they need a simpler route to find their solution.

Other concerns. As I talk to folks, especially those who are elected, they don't understand that there are no free FTEs here. This is a program that's going to take the time of staff. So, education is absolutely huge.

And the idea here is also that you're a partner with the customer for 20 years. And they sometimes forget that. That you just don't offer the loan and step back. You're out there for the long run.

On our side we are worried about unpaid taxes. Not so much about the default, because you're going to get your money out of that. But what happens one, two, three, four years out when the bill is unpaid and the actions are just beginning for a default foreclosure.

And I'm going to bring up something that hasn't been mentioned today. And I know AB-811 is somewhat neutral to this, but I'm concerned about over-loading the customer with too much debt.

I think there's a public expectation now that anyone loaning money has an obligation to make sure that their customer is making a proper decision. And the last thing I would want to see if our programs being labeled as a reason why a customer is in more debt than they need to be.

So I would recommend that any program pay a little bit more attention to the credit worthiness of the customer, especially on the commercial side.

Things we need help with. Risk management. We don't do a lot of risk management assessments on businesses or on commercial enterprises or residences.

Again, on the administration side, the customer project evaluation, I've already had vendors approach me with bundled approaches, saying we'll do HVAC, we'll do all these things. Nestled in there are energy efficiency measures whose lifecycle is a third of what the length of the loan is.

There's got to be consideration here

about what you're loaning on, and how these things are going out to the customers. And the project administrators have to have the ability and the tools to identify which projects have value for the amount of time that they're actually being loaned on. And, of course, the process and the fund development.

And that's really it. It was interesting, Andrew had a chart up here that showed, you know, measures that folks had used. To show you the need for flexibility I could take that chart to Roseville, and a lot of those measures would flip just like that.

So from city to city to city what's going to matter, what the customer wants is really going to change depending on the climate zone, depending on a lot of other things. So being completely flexible is absolutely essential.

Our timeline is 2010. We want to do something as quick as we can. And there's no doubt in my mind that we'll get the political support to make that happen.

Thank you.

(Applause.)

MR. BARTHOLOMY: Thank you, Marty.

We are now going to go back to Mimi. The goal of this panel right now is to talk about these new program concepts that are coming up in California right now. And Mimi is working with the California Statewide Communities Development Authority to develop one of these new exciting programs.

We're going to ask her to come back up and talk about the contract they now have with CSCDA, and how that's going to play out for California. So, thanks for sticking around, Mimi.

MS. FRUSHA: Commissioners, it's a pleasure to be speaking to you again, as well as the audience.

We've heard a lot of great points today about the details of the program and how we're going to roll these programs out.

I think one of the questions that comes to mind is does it make sense for cities to do this one off, one by one. Because it takes a lot of time and resources. And there might even be confusion to the property owners that would be the end-users of these programs.

So, what is a mechanism we can utilize to go to scale and make this a program that's widely available and doesn't demand as many resources.

I do agree that there needs to be flexibility as well as customization, at the regional and local levels. And I think both Wendy and Marty, as well as Andrew, have highlighted that for you.

However, those need to be increased coordination amongst all these entities at the regional level that are rolling out these programs. And there needs to be an infrastructure in place to support them primarily on the back end, on the financing side, and the administration side.

And I think the statewide CSCDA program, as well as, also known as California communities, is a great opportunity to do this.

CSCDA, for those of you that don't know, is a California Statewide Community Development Authority. It's a statewide JPA established in 1998 and has basically done about $9.9 billion in bonds to fund infrastructure throughout the state of California.

And they decided in about November of last year that they wanted to support this program going forth at the statewide level, and solicited RFPs for what we call the California FIRST program.

And Renewable Funding and Royal Bank of Canada were selected to be the financing and administrative partners through an RFP process. And we've been working with a number of folks in the room to actually understand what's the best way to roll this out with them at the statewide level.

And essentially what we're providing is that financing administration district to all of these communities that want to do this program, so they don't have to go out and establish their own financing district and establish their own administrative process.

While they can design their program to be appropriate to their community, they can actually take advantage of the CSCDA California First program to reduce the legal and administrative and financing burden on the city.

At the same time that's going to allow them to achieve economies of scale, as Rod was saying earlier. They really need to be at $10 million, $25 million programs that allow to reduce the cost to the property owner, as well as the city.

And then another piece of the CSCDA program, I think, is important to know is it really creates a standard program design that leads to easier marketing and replication of the program.

I think we've seen now about four, even six different models have been proposed. And how do we really start to integrate these in a way that is seamless.

Thus far, where have we been and what have we done. I think one of the questions that keeps coming up is what is the timeline. How do we get to 2010 aggressively, and do this quickly.

Thus far, as far as legal is concerned, and this is some of the things that Chris spoke to earlier, is a process has been discussed and defined with CSCDA, and amongst legal counsel, as what is the best what is the best way to implement this program.

One of the things we have noted is it will require validation or a friendly mandamus. And that actually has not begun yet. And I would implore us to begin that as soon as possible. One of the challenges with that is financing to begin the validation process.

Financially Renewable Funding is secured 50 million to roll out the program for CSCDA in southern California. And additional funds are being secured for the rest of the state.

Programmatically some of the things we've done is we've announced, statewide, in early March, and we've actually gotten interest from over 70 cities and counties and other JPAs. So there's a lot of demand and interest. What's represented in this room is only a small portion of what there's actually out there.

And our intent is to launch a pilot program in late summer to early fall. Some of this, of course, hinged on the legal validation process.

One of the things I would note is, as each of these cities and counties are going to launch their own program, it really does create a longer timeline to actually distribute funding. And with the CSCDA program it actually can help truncate that timeline for a number of cities and counties interested in the program.

Some potential volume. You've gotten

some of that from Wendy, but I think one of the things just to note, of the 13 counties which are inclusive of San Luis Obispo, Alameda, Ventura, Santa Barbara, Napa, Monterey, Santa Cruz, San Diego and many more, there's a combined population of 13 million roughly.

And just looking at CSI, solar installs, we're seeing 3600 solars installed at an average of 37,000. That puts you at $115 million program annually. And if you were to actually extrapolate that and provide financing, in these cases none of these homeowners had financing available, and look at .5 percent of the population, you could see 65,000 clean energy projects installed. And I even bumped that number down to 20,000 to say, listen, we're looking at solar, potential energy efficiency, and a number of other measures that were proposed.

So, we're looking at a $1.3 billion program potentially. And that, I think, is actually a highly conservative estimate. So this not only has the impact, as Wendy was saying, on the environment, but also in the job creation it's huge.

So, again, what can CEC do to support

this. Legal, AB-279, as Chris mentioned, is definitely a more flexible option. So your support of that is key.

Also, if there's a way that you can support or even pay for validation of the friendly mandamus, I think that would actually allow us to move forward at a much faster rate.

Financially some of the pieces we talked about is establishing a revolving loan fund for the interim financing in amounts of 25 to 50 million, would allow us actually to take these bonds and aggregate them. This would allow us to do practically a $250 million program annually.

A buydown of the interest rate, we talked about the interest rates being higher. And if we were even to move those from 1 to 2 percent down, that puts it at a maximum of $50 million, but even less than that would actually help buy down that interest rate, and allow it to reach a much broader population.

And then the loan loss reserve fund. We talk about delinquencies and what would a loan loss reserve fund look like for a $250 million program. And the range of 15 to 25 million would help cover that debt service if property owners were to default or not be paying the taxes.

Programmatically, and I think this has been mentioned a number of times, is we need your assistance and all the folks that are here in this room to develop a standard program that has clear measures as well as quality assurance available for cities and counties as they move forward. And especially with energy efficiency.

With that, I thank you all for allowing me to speak twice now. I feel like I've hogged the mic. And I believe somebody else is up next, but I really think this is an important program and can have a huge impact on California. Not only environmentally, but also with jobs and the economy.

Thank you.

(Applause.)

MR. BARTHOLOMY: Thank you, Mimi. So now we've heard from the city, a region, a utility, private company and a JPA.

We're now going to hear from a COG, Association of Bay Area Governments is going to be represented today by Ezra Rapport. He's going to come up and talk about the program that ABAG is looking at putting together.

So, thank you very much for making your way up, Ezra.

MR. RAPPORT: Yes, thank you. I represent the Association of Bay Area Governments. My name is Ezra Rapport. The Association is in the Bay Area, represents 101 cities and nine counties with a population of 7 million.

It is pretty astounding to listen to all the different programs. Everyone's got the same goal and mission in mind. And the reason I think you see so many different efforts to do this is that it's complicated and no one's quite figured out exactly the right way to go about it.

So we're entering in as what's called a second generation program, really to pay homage to a lot of people who have taken it to this point. And our view essentially is that we're trying to do an AB-32 mission, which is to get as many people as possible to retrofit their homes.

And that's not a financing district; it's not an education process. It's actually an on-the-ground program to get into people's homes and convince them that it's the right thing to do for themselves, and it's the right thing to do for everybody else.

And we have a model in mind which was something done in the early 1980s by PG&E called the ZIP program, the zero interest program, where a cadre of young people went door to door, and I was one of them, to tell people in their neighborhoods that there was a weatherization program that you could put on your utility bill.

We figured now with all the rebates and other possibilities for saving costs that are out there, this would be another chance to renew a program like that. And we were looking instead of the utility-placed financing on the bill to go to the property tax as a mechanism for doing that.

And in so analyzing that we've looked at a lot of the legal issues associated with it. I think you know a lot of the information of why we want to do this.

We started this program from the idea of what are the barriers that stop people from proceeding with these types of investment.

One is energy efficiency is not salient. It's not something in people's minds. If you don't really get to them on a face-to-face meeting and put it together to them in some really easy way for them to say yes, it's probably not going to happen.

And second is it's got too much cash upfront. So, if there's a way to spread that payment out over time, those two things would be really helpful.

There's been a lot of studies about this. This is a list of some. The lack of standards. There's too many contractors saying too many different things. Too many types of solar systems.

We needed some way to deal with everybody's own little house or big house in a way that was consistent and brought credibility.

So, our approach was to joint venture this with PG&E. And I think that's the innovation that we're trying to bring, is a full partnership with the utility to consolidate all of their existing programs and bring their administrative abilities onboard with our members so that we can create one program with a financing element as well as with a policy element that would be saleable to consumers.

This is going to be somewhat of a limited program because we don't think the law and the issues of senior lien are simple enough to be able to apply across the board. We think it can only be applied in a limited way to avoid some serious issues.

The benefits, you know, I think have been discussed. Our goal is to get the energy bill down to the lifeline level. And our main argument is that we think energy costs, I think most people recognize that energy costs are going to be increasing faster than inflation.

There's so much out there in terms of rebates and possibilities of subsidies that people would like to capture it, but it's too confusing for them to know how to do that.

So by putting packages together as I think Wendy explained in the Stopwaste initiative, and we're working as collaboratively as we can with a lot of people, we're able to -- I think we would be able in a program to be able to boil it down to a set of packages that were lifecycle analyzed, that were third-party evaluated, and that made sense from a cost perspective and a financing perspective where it was pretty easy for the consumer to just say yes.

We think it has to be done at a regional level. Our members are trying very hard to do their share for climate action. But cities and counties core competency is not in these consumer-based programs. And come July 1, the next fiscal year, everyone will be facing enormous budget cuts and deficits, and will be struggling just to keep police and fire going and district attorneys' offices, and everything else you can think of.

The level of program administration to get down to the house level is simply too high for members to take on. And if we don't do that, we won't be penetrating the market nearly high enough. So we won't get the volume we need to spread the costs, and you won't be accomplishing your AB-32 mission.

So our goal, and we're working with, I think, seven divisions of PG&E, that many entities from finance to legal, to energy efficiency, to solar, to regulatories, to consumer affairs. All those different entities need to come together from their perspectives to see that if something can be created, and from our point of view, how we can represent all of our members in a way that they think is positive.

And so far we've been getting positive feedback from our members that this is the right approach for our council governments to do.

There's a lot of work left to do this. I think the stage that we're in now is we have retained consultants to help us with the concepts I've just discussed. Brian Gitt, who is going to be speaking to you today, is one of our consultants.

SB-279 for us is critical. I don't think we will proceed with the program without SB-279. There are a number of legal issues that have to be clarified in order for us to feel secure that we have a renewable, sustainable program.

We view it as a detriment to do it these start-stop programs where you think you have something going, but you don't really have it to scale. And so people wait on the sidelines hoping for the program to initiate.

Nobody has sold bonds under this concept yet. The reason is that it's difficult. And we have to find a way to sell bonds so that the costs to the public sector are relatively low. You provide a line of credit; you issue a bond; you replenish the program.

You only need $5 million in that line of credit to get going. Your overhead and startup costs are in the several million dollars. When you consider the scale of what we're attempting to do here, all of us in this room, by leveraging private investment and how much benefit there would be for doing it, the cost of subsidy is very low.

Whether this program could actually use federal dollars is questionable because of the strings that the federal government applies to certain aspects of the program. But there's certain things that we all have in common that certainly should be funded and funded even if we don't know exactly what it is that we want right now.

And that's why we're arguing for a reservation of funds from the stimulus package, in some way, to be able to support these community- and regional-level programs as we work together and collaborate and sort our way through what's the best approach to take.

So, I think we're pretty much on the same page as what everyone else has said as to what their needs are.

I'd be happy to take any questions if there are any. Thank you.

(Applause.)

MR. BARTHOLOMY: Thank you, Ezra. It's great to see the program you're putting together there.

We are now going to be joined by our second and last speaker that's calling in from out of the building here. We will be joined by Beckie Menton with the Redwood Coast Energy Authority.

Beckie, are you on the line? Can you hear us?

MS. MENTEN: Yeah, can you hear me?

MR. BARTHOLOMY: We can hear you very well. We are setting up your PowerPoint and I will be your Vanna White, so feel free to just tell me when you would like me to advance the presentation. And we're ready to start when you are.

MS. MENTEN: Okay, thank you so much, Panama. I definitely want to thank the Commission for allowing me to speak before you, and for allowing it to happen by a remote process. I did a back-of-the-envelope calculation and you helped me avoid 255 pounds of carbon dioxide emissions just letting --

(Laughter.)

MS. MENTEN: -- this is really an important process for rural areas to be able to take part by telephone. So, thank you, again.

My name is Beckie Menten; I'm with the City of Arcata, and also the Redwood Coast Energy Authority. I wear many hats. And I'm here to talk about our concept for an AB-811-style program. We're dubbing it sustainable municipal efficiency and renewable financing, or SMERF.

(Laughter.)

MS. MENTEN: So, please go to the next slide, Panama. Thank you. So just to give you an idea of where we're headed, I'd like to give a little bit of a background on Humboldt County, talk about the basic elements of our program and, of course, our timeline for adapting our program.

And then talk about how the California Energy Commission and how the state can help advance this program and others like it.

I'd like to make a special emphasis on the fact that rural areas sometimes face very unique challenges to implementing programs like this. We tend to be under-served for incentive dollars, and have lower median salaries and economic opportunities in our areas, which often means that, as municipalities, we often aren't able to amass much capital and staff time. Though I hear there's lots of pretty similar problems across jurisdictions.

So, I would like to make a pitch that we might offer a model for rural areas to adopt a program like this.

So, please go ahead to the next slide. This is a picture of Humboldt County intended to show two things. Number one, that we live in a very beautiful area. Our economy is very closely linked to the natural resources that we have. We're historically very focused on forestry and on fishing.

And that means two things. Number one, we're very vulnerable to climate change. And we're also very vulnerable to economic recession. The downturn in building has had an enormous impact on forestry sectors, in particular. And that means that there is a real need for economic revitalization in a community like ours.

So please go ahead to the next slide. Additionally there are a couple of other factors that make Humboldt County such an excellent location for an AB-811-style program.

One of the things I'd definitely like to point out is that over 70 percent of the homes in our county are pre-Title 24, meaning that 70 percent of our building stock was built prior to any mandate on energy conservation in construction.

This is clearly represented in our greenhouse gas portfolio, as well. A recent inventory for the city of Arcata shows that more than 50 percent of greenhouse gas emissions come from the building sector. That's kilowatt hour usage, natural gas usage, and electricity used for pumping water, as well.

So this is clearly a very pertinent issue for our area in addressing our climate reduction, our climate change goals.

This is also an economic issue. Over $319 million leaves our county on an annual basis to pay for energy costs. If we could address this and keep a portion of this money in our county, it could help to promote economic stimulation.

So, please go ahead to the next slide. I'd like to give a brief presentation for the Redwood Coast Energy Authority, or RCEA. RCEA is a joint powers authority in our area that was developed to develop and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient and renewable resources available in this region.

Running the program through RCEA has many advantages. For one, the major southern municipalities in our region, the county and the Humboldt Bay Municipal Water District, each are represented on the board of directors; meaning we can disseminate information about these programs very quickly to all of these entities and we can also establish economies of scale to be sure that each of these cities and the counties do not have to go through this process separately in how they're marketing outreach dollars. I can tell that this has been a very prevalent theme of this workshop.

RCEA also has established a very strong presence in the community, and has built up trust around these issues. They has popular and effective programs like CSL sweeps, where they will go door to door in neighborhoods and exchange incandescent bulbs for CSL free of charge. They had a torchiere exchange where they exchanged traditional torchiere lights with more energy efficient alternatives. There was actually a line around the block for this program.

And they also have a strong presence in the business community in our area, as well, through operating the small business (inaudible) program, in which they will offer energy assessments for businesses, and can provide low-interest financing through their partners to help fund some of the improvements. In some cases for nonprofits they can offer up to 75 percent of the program costs, which is great.

The final thing that makes RCEA so well suited for a program like this is the fact that they have an energy watch partnership with PG&E. This means that they have already established a very good strong working relationship with PG&E, and that they have advanced access to incentives. This makes is easier for the program participants to access rebates. They don't have to go through the confusing and potentially messy paperwork on their own, but can trust in RCEA's abilities to take care of that.

So, please go to the next slide. Another partner that I'd really like to talk about is the Headwater Fund. The Headwater Fund was established in our area in 1999 in response to 3000 acres of redwood growth being purchased and placed into a public land trust.

As we're primarily a timber-based economy, this had a negative impact on our ability to develop economically. So the Headwater Fund was established to provide economic development opportunities in our region.

One of their stated objectives is economic prosperity and quality of life for all of the Humboldt County residents. Headwater Fund actually approached me about working together to see if we can establish some kind of program that they could use some of their money to help start up. We will be going before the Headwater board and requesting $1 million in seed money.

Please go to the next slide. So, I'd like to talk a bit about our program structure. It's very similar to what many other AB-811 programs offer that we do have a private source of funding.

So the Redwood Coast Energy Authority would administer the program for each city and for the county, helping, as I mentioned before, to establish economies of scale. This could be a really great model, we feel, for rural areas who face these problems.

Officially, Redwood Coast Energy Authority already is able to provide energy assessments free of charge through their program partnership with PG&E. So they would be able to offer these energy assessments to all program participants. They would also be able to handle the marketing and outreach components of this program.

As I mentioned before, we would be pursuing a private source of funding through the Headwater Foundation.

Okay, please go. Thank you. So, some of the nuts and bolts about our program. It would be eligible to all property owners living within the established assessment district. Each municipality would need to adopt a resolution establishing an assessment district for their cities.

The fund -- the permanent energy improvements and the renewable energy. However, there is an opportunity for nonpermanent improvements to (inaudible). And I'll explain more about this in a moment.

We're also going to be requesting that all program participants allow access to 18 months pre- and post- for their PG&E bills so we can attempt to monitor the program's effectiveness and establish some sort of evaluation mechanism.

Thank you.

(Laughter.)

MS. MENTEN: So the terms of the loans that we're looking at at this point, so we will certainly have to clarify this with the Headwater Fund, we're pursuing 20-year terms at a 5 percent interest. We're looking at having a flat rate service charge which can be folded into the financing to cover the program costs.

The unique part about the Headwater Fund model is that the loans would require a 50 percent match on the part of the program participants. And we have established through Headwater that rebate money can serve as match funds, and energy efficiency investments can also serve as match funds. So this gets back to some of those nonpermanent energy efficiency investments like refrigerator or a dishwasher.

We're also investigating, as many other

people are, setting up a loading order. Each participant will receive an energy assessment through participation in this program. And we're investigating requiring some minimum level of efficiency to be met before program money can be used to fund renewable energy generation.

Thank you. I wanted to give a little example of what that 50 percent match could look like, as I can see that that might be a confusing concept.

So, let's say you wanted to purchase a kilowatt photovoltaic system. We're going to have a conservative cost estimate of $20,000. Fifty percent of that, or $10,000, would be eligible for financing through the program. $6,000, or 30 percent of the cost is available as a federal tax credit. And then about $2000 is available from the California Solar Initiative using about $1.21 per watt, which is about what we see up here in Humboldt County.

So the homeowner is required to pay that difference of match $2000. But they can also apply energy efficiency investments, such as refrigerators or dishwashers, to make that match, as well.

So that's a little bit more detail about how the cost match would work out under the terms of our program.

So, a little bit about the program timeline. As I mentioned before, because each of the municipalities are represented on the Redwood Coast Energy Authority Board, they have already heard several pitches about this, and have expressed interest in continuing development of this program.

We've received stated commitments from at least two of the city council members that they would like to see presentations and resolutions brought before their council. And in the city of Arcata, it has been established that the city council priority goal to get this program up and running.

We've been working on -- developments since 2008 when Headwater came to us and asked if we could work collaboratively on this. And May 19th we're bringing a presentation to the Headwater board to try and secure a 5 percent interest and $1 million funding.

Between now and early July we're hoping to hold a number of stakeholder sessions. One of the things that we've really caught on in the workshops that we've attended the last couple of weeks is the really critical role for pulling in the local lenders and the local contractors and installers at a very early date to vet the program design through these groups to make sure that there's consistent buy-in from all the parties.

We realize that the contractors will be some of our best marketing tools and the people who are dealing with the program on the ground. So we want to make sure that we have a good working relationship.

We are also, having Headwater's approval, going to go before the county board of supervisors in early July to bring the presentation and the staff report to establish a countywide assessment district.

We're hoping to have a coordinated approach for each of the remaining seven municipalities on the Redwood Coast Energy Authority Board. Another thing that we have heard is, in a recent workshop, is that there can be a market-based issue.

When these programs get publicized, sometimes homeowners and property owners will wait to invest in solar and energy efficiency until the program rolls out. And because we are so concerned with keeping a good relationship with our contractors, we're trying to streamline the adoption process as much as possible to keep our face out of the press.

Ultimately we're aiming for program rollout around the end of August. So this is contingent upon approval of the Headwaters Board.

So, one of the things that I wanted to target here, obviously, is how the state and the CEC could help make these programs more effective, or help get them off the ground.

One of the things that we're really concerned about is being able to buy down the interest rate available to the program participants. If we could get the interest rate at 3 percent or lower, that would be really awesome in terms of making this program as close as possible to cost neutral for participants. Which is really what I see as the ultimate goal.

There's also the potential to supplement the available funding that we have for energy performance assessments. We definitely are looking at using a test measured base approach at this moment. And we would really really like to build capacity to do a full-blown -- test for every house that participates. But they're expensive and costly, and there would need to be both workforce development components and a separate pot of money to help make that happen.

One possibility that we're looking at locally is trying to pursue funding to establish a local rebate program for efficiency. Efficiency does not have access to the same fabulous rebates that renewable energy does at this point. And not the 30 percent of the total cost.

And so if there's a way that we can help supplement the efficiency with a local rebate program, we think that that could help out with that.

Another possibility is for statewide standard or for a rebate program to help energy efficiency retrofits on a broader scale.

So, if we could go to the next slide, thank you. There are, however, a couple potential concerns of using stimulus money, in particular. One thing that we're definitely investigating here is the Buy-America clause and the prevailing wage clause.

It's not clear how the Buy-America clause would go down if we ended up having energy efficiency retrofits where you needed to buy all the manufactured goods from America. That could get very messy for tracking. And so that's definitely a concern that we're looking at.

Also, prevailing wage. Since we're trying to hard to keep this program as cost-neutral as possible, that might be something that needs further investigation, as well.

If these stipulations do come along with the funding, potentially a rebate program could help to offset the increase in costs due to prevailing wage.

And finally, another concern associated with stimulus money in particular in the timeline. I know Berkeley has had smashing success with -- committing all their funding. It's not clear whether or not we could count on that kind of program participation from our side, as well. And so it could get difficult to track that, as well.

And so with that I would like to open up for questions.

MR. BARTHOLOMY: Great. Thank you, Beckie, we're going to hold questions till one more speaker after that. Thank you so much, and congratulations on keeping your carbon footprint within reason today.

We are now going to welcome Gary Ambach from the Imperial Irrigation District, last but definitely not least. Thank you so much for coming up for today's presentation.

We're going to hear about the exciting program they're looking at putting together down in the Imperial Valley. Thank you, Gary.

MR. AMBACH: Thanks. Good afternoon. Appreciate the opportunity to talk to you today about the Imperial Irrigation District.

In any case, you've heard a lot of opportunities today and a lot of options. And so I'm not going to probably dwell upon a lot of the AB-811 benefits for the end-user and stuff like that, because I think we've covered that ground quite sufficiently.

So, just a little bit about the district. The Imperial Irrigation District is the sixth largest electric utility in California. Some things that are a little bit unique to the district, which are kind of similar to what my buddy, Pat Conlon, talked about for Palm Desert.

Our summer peak demand is two and a half times our winter demand. So this puts a lot of stress on the electrical system, and puts a lot of extra cost because, of course, the summer electricity is much more costly to acquire and to buy.

Fortunately, we are also the low-cost provider in southern California. Our rates are about 13, 13.5 cents a kilowatt hour, which is a good thing, but as far as providing a payback for energy efficiency, it's a bad thing. So, it's one of those double-edge swords. It's one of those things we live with.

So, if I look at our customer demographics, some interesting things come out about all this. All of IID's service territory is in climate zone 15. Our summer temperatures can reach 125 degrees, and we don't go outside during that time.

But this all makes air conditioning a necessity rather than a convenience. You know, it's not, like I said, you got to stay inside.

The service territory also covers all of Imperial County, but also the eastern part of Riverside County. In Imperial County right now about 25.1 percent is the unemployment rate in Imperial County. It also has one of the lowest average incomes in the state.

Riverside County, again the eastern portion of Riverside County, and there's also a high number of unemployed in that part of the county, but there's also a lot of seniors on fixed income. If you've ever been to Palm Springs and Palm Desert, and Indio, you know, that -- Sun City, I shouldn't forget that, it's a lot of seniors on fixed incomes. And that presents some interesting issues for us.

Also air conditioning represents anywhere from 45 percent to 55 percent of a customer's energy usage for the district. So that's another tidbit to keep in mind as I go forward here.

Okay, I got to get closer to the microphone. You know, I was in the Army for 27 years and I thought my voice just carried, but I guess not.

So, right now greater than 58 percent of the existing residential building stock in our service territory is pre-1992. This means that the residences have central air conditioners with

SEERs rating of 10 or less. And that's an important tidbit because when I talk about our demand side management planning, we talk about target markets, we talk about getting the biggest bang for the buck, and we talk about all that kind of stuff. So this is where our focus is going to be.

If I replace an 8 SEER with a 16 SEER today there is the potential to reduce a customer's electric bill -- annual electric bill by 30 percent. And that's a huge impact.

In addition, for every 1000 SEER 8 units we replace with a 16 SEER, that would be 5,786,000 kilowatt hours that will be saved.

So, in our current program we have obviously all the standard rebates and all that kind of good stuff. For easy replacement if a customer put in a 16 SEER today, IID's rebate would probably cover 10 percent to that cost.

Right now our participation rate is about 300 to 500 customers on average. And this, again, is for a/c replacement, central a/c replacement. The average payback with the current IID rebate is about ten years. And, of course, the biggest barrier, and you've heard this many times already, is the high upfront cost to consumers. Obviously, if we're going to give them a rebate for 10 percent, somebody's got to come up with 90 percent.

We've had financing programs in the past. And the financing programs in the past really didn't address the market very well. Because either they used the existing financial system and credit scores and the customers couldn't participate, or didn't want to participate with that additional hit on their credit. Or the rate was 12 percent or something like that, maybe go out and do it on their credit card for almost as much. And ended up not doing anything.

So, we've had a lot of experience with financing and it really just didn't work well for us.

So our current initiatives. We've done some interesting things. We've been working very aggressively with our cities and counties. And really what we've done is we've kind of told our cities, and we may now offer it to our two counties, that we would put an energy manager in their facility. This would be an IID person that would be a staff resource to that city or to that county.

Again, our cities aren't like Los Angeles, they're not huge. They're 40,000 or smaller and stuff like that. So, they don't have the resources and the staff to do energy efficiency and energy management things. So we gave them that resource.

As a result of that we've looked at the municipal facilities. We've done joint outreach to neighborhoods and things like that. And we've instituted some interesting behavioral programs to try to get people to reduce energy consumption through a -- you know, they can go online and they can track their energy consumption. And we have a prize every quarter if they, you know, for the person in a drawing that achieves 10 percent energy savings.

In order to spur AB-811 programs, we made an offer to our cities, and now we've made it to our counties, as well, that IID would actually administer the programs for the cities and the counties. In other words, no additional staff for the city or the county. We would take all that on ourselves.

Now, we have the staff, we have staff people that deal with customers all the time, and we have the expertise in hopes to accomplish many of the things for that kind of a program.

We told them that we would help them facilitate and get the AB-811 certified and get it all done through the state and all that kind of stuff. The bottomline is everybody, all of the cities and both of the counties, want to do this kind of a program. They just are nervous and hesitant because I think somebody said it earlier, they're facing 2010 when the budgets are going to be less. There's less money coming in from all the sources, and they're very reticent to take on one new thing. And, quite frankly, it's not really their core competency.

So, what we're looking at is an enhanced program that we believe that we can deliver. With the infusion of maybe some $5 million in stimulus funding, IID thinks that we can go from 300 to 500 a/c replacements to 3000 to 5000 a/c replacements per year. This is, of course, with an aggressive financing program.

We would use those funds to use things like loan buydowns and provide loans to the end-users. We'd use interest buydowns and we'd have some loan guarantees. All of those things are available to us if we do that.

Maybe a little bit unique is that right now our current budget for energy efficiency is about $8 million. If we got some state funding IID would put up another $5 million each year for the next five years. So we're not just coming with out hand out, we're willing to invest money to make things happen, as well. So maybe that's something that we can do that others can't.

A key issue is IID has other programs in place. We have an a/c diagnostic and repair program. This is an ideal program for outreach and intake into a financing program in a/c replacement.

With this program we have the contractors, local contractors, that go to customers' homes. And they perform a test on the a/c. And they determine what operating efficiency that system is functioning at.

Using that data, and then if they replace their a/c with a 16 SEER, we can validate and we can confirm the energy savings for anything that happens on that a/c. And we do this today for the programs that we have.

Last year in 2008 we did 8000 homes on the a/c diagnostic program, which is, maybe about 6 percent of our total stock. Substantially more if you look at just central a/c.

We also have a weatherization program that we're finalizing our partnership with The Gas Company. Weatherization is very critical, especially for our low-income customers. And we upgrade their home and their apartment so that it makes it more effective. In that way we actually reduce the a/c load and then we can replace the a/c with something more efficient and we can really do some good things.

So, we have all those things in place, and that's one of the things that we would like to emphasize here.

The enhanced program that we're considering would use some kind of an AB-811 financing, a hybrid maybe. Or, if nothing else, if we can't get and AB-811-type financing authorized for the district, we might do something ourselves. Although I can go through that and we can talk about how difficult that would be.

After the first year, if we got some

funding, what we would do is we would use that initial loans and stuff to build some critical mass so that we can go into the loan market and demonstrate to the financial institutions that we can actually deliver on the portfolio.

Then we would release those funds because then obviously if we can sell it into the market, we'd release those funds for things like interest buydowns and loan guarantees, or we could cover the application fees and we could remove that burden from the end-user, as well. So, that would be our plan for accomplishing that.

When we look at the results from this kind of a program we estimate that for every 1000 central a/c's that we replace we will create 50 to 75 jobs in the district. This is all based upon the installation costs and not the equipment cost.

Changing out the old, inefficient air conditioning units will reduce our customers' electric bills. And by doing that that money stays in the district. And, of course, then they're better able to afford other things and stay viable people.

The replacement of 1000 units will reduce the greenhouse gas emissions by 4.7 million pounds. And that'll take -- that's the equivalent of taking 387 cars off the road.

The whole crux of this is when we look at the customer economics. If I look, again if we target our customers very well and we look at first targeting customers that have SEER 10s or worse air conditioning and replacing them with SEER 16s. What we can do with our -- by just increasing our incentive just a little bit, we can get the customer payback down to seven or eight years.

If we have a financing program that can deliver financing for ten years, that means the customer's out no dollars on a cash flow basis. And that's extremely important. So they can pay IID all their electric bills for the next few years, or they can pay IID a little bit less than the electric bill and pay for some financing. The total dollars will actually be the same or somewhat less. So that's critical to the customer sale of the program, and that's what we think is real important. And we can accomplish that in our district.

So, if I look at our timetable one of the major issues that we have is the district is not authorized under AB-811 to deliver that kind of a program. We would ask for that kind of ability.

Once we have that ability we think that we can actually roll out a program like an AB-811 within one to two months. Everything that's required of that kind of a program is already in place except the ability to do the financing and go out and get the bonds.

We already have all of the infrastructure in place because we're delivering energy efficiency programs today. We are doing identification of customer a/c systems. We know where the bad ones are and where the good ones are.

We know what -- we've identified the customers based upon their usage history. And that, again, targets us to the ones that are probably the least efficient. So we can do that today.

We already have in place a method for calculating the energy savings. We already have in place a verification method on a percentage of, you know, target sampling and all that kind of stuff. So the bottomline is very confident when we say we're going to deliver a megawatt hour, that we've actually delivered a megawatt hour.

So, that's where we are today. If we were to look at assistance from the California Energy Commission and the state, first one would be to enable IID to do AB-811 financing. We can't do that today.

It would be great to have some starter funds. We feel that if we try to do AB-811 just with our $5 million we're not going to build the critical mass fast enough. And so getting an infusion upfront with another $5 million or $10 million, or $5 million a year, which we'll match, then we feel that we can accelerate the program. We can do more customers faster. And we can make things happen for the betterment of our customers and for the state, as a whole.

So, I think that's what I have. Thank you.

(Applause.)

MR. BARTHOLOMY: Thank you very much, Gary. Appreciate you coming up and appreciate the kind audience, the nice little round of applause for each speaker. We appreciate that.

We are now going to questions and

answers for the panel. We're going to start with questions from the dais. Then we'll go to questions from folks in the audience. And then we are going to take questions from the folks listening in online before we move on to Brian on making the last presentation before we get into public comment.

So, I would ask for folks in public comments to please restrict your questions and comments to the panelists' discussion. There's going to be plenty of time for public comments at the end of the day.

I'd take questions from the dais now for the panel.

COMMISSIONER LEVIN: I have one. First, I want to thank all the speakers. It's been really helpful, very very helpful to the discussion. I have to apologize because I have to leave for a 4:00 meeting upstairs.

But I have two quick questions which you don't necessarily need to answer now, but we definitely would welcome your thoughts.

Mr. Ambach, you mentioned not being included in AB-811. I understand that there's a bill in the legislature now to expand AB-811 to all types of local jurisdictions, but I also understand that wouldn't include a utility. I encourage you to talk to the author and see whether it would be appropriate to add publicly owned utilities or all utilities.

We don't have a position, but I think it's a conversation that probably a number of folks should have.

I guess my question is for all of you, many of you mentioned the link to greenhouse gases. And it's just so exciting to me, having worked on this for many years, to have it actually an assumed part of the conversation now, and not something we have to fight over anymore.

But none of you actually suggested who should own the credits. And I think that's an important question as we design a program like this, especially if we try to take it statewide.

And if you have an answer, if your local jurisdiction or utility has already taken a position, I'd be interested to know what that is. If you don't yet have an answer, we would welcome all your thinking on it. Because it's something we will definitely have to answer at some point.

COMMISSIONER ROSENFELD: Commissioner

Levin, is Mr. Dole still here? Because he said that they did work out a deal in Sonoma County.

COMMISSIONER LEVIN: On that?

COMMISSIONER ROSENFELD: Yeah.

MR. McCALISTER: There is -- the Public Utilities Commission has ruled that for anyone who participates in the CSI gets a CSI rebate.

MR. BARTHOLOMY: I'm sorry, Andrew, can you introduce yourself --

MR. McCALISTER: Sorry. Andrew McCalister from the California Center for Sustainable Energy. The existing statute is that for a solar system the credits that are generated by that solar system are by the system owner. So the homeowner -- energy efficiency, I think that's clearly the question. And the -- counting, and all that good stuff.

COMMISSIONER LEVIN: Thank you. And, again, I apologize, I have to leave.

COMMISSIONER ROSENFELD: This is Art Rosenfeld. I have a question for Gary Ambach.

You talked about the importance of monitoring and verification. Do you actually have any data? You've installed quite a few air conditioners so far, do you have savings data and cost data? Because we'd all be pretty interested.

MR. AMBACH: Yes, we do, and I didn't bring that with me, but we can provide that, sure.

COMMISSIONER ROSENFELD: Yeah, we'd like to have that.

MR. AMBACH: Sure.

MS. CLINTON: Jeanne Clinton from the PUC. I have a couple questions. And like Commissioner Levin, one of my questions is more posed for people to contemplate and perhaps submit comments on at some point in the next ten days, I guess.

But as I was listening to the differences across geographic areas to the kinds of actions that you perceive are priorities, whether it's replacing air conditioning systems, or up on the north coast focusing on homes that were built 40 years ago or 60 years ago or 100 years ago that don't have very good probably wall insulation and things like that.

And it occurred to me whether or not one of the criteria for how to use these funds should be how much energy savings in regard to leverage in terms of what's the relative degree of energy savings that might be incurred in one geographic area versus another.

And I might posit an example that, you know, in the Imperial Valley, you know, one could see all these thousands of kilowatt hours being saved. And, you know, similarly in, you know, a costal community in the central coast with no air conditioning load, one might not see as much energy savings.

And whether or not, from a public policy perspective, with a limited resource here of capital, whether there ought to be some criteria for, you know, where do we get the most energy savings leverage out of these dollars.

So, I pose that as a thought.

The other thing that struck me as an observation, I was trying to keep a running list of the kinds of asks or wishes that were on the funding list, and it was getting long.

And so I'm thinking at some point it's going to be really helpful to get a sense of priorities because a) there's not going to be enough money for all of California, b) there's not going to be enough money to cover all the categories.

And, you know, given limited funds and

the fact that this isn't the only activity that's competing for access to the SEP money, you know, what should the priorities be among things like seed money for startup costs of administration; money for an initial loan pool prior to going to the bond market; interest rate write down; loan guarantees; education and marketing were some examples.

And then there were some other activities that I would call not so much activities, but the dilemma of will this money be leveraging efficiency or solar or both. And it just seems as though it would be helpful if in comments that people are submitting, that you could share your thinking on how should the Energy Commission go through a priority-setting process.

CHAIRPERSON DOUGLAS: I do not have a question at this point, but I would like to join Commissioner Levin in thanking all of you, I think, on behalf of the Energy Commission, for your leadership, and also the speakers this morning for their leadership in really moving us ahead on these types of programs.

MR. BARTHOLOMY: Thank you, Madam Chair. We now open it up to folks in the audience that have questions of the panel, clarifying questions or comments on the presentations we just heard from the panel. And you can just come up to the lectern at that point. And please introduce yourself when you begin.

MR. SPASARO: Sure. Good afternoon, thank you. My name is Frank Spasaro; I'm the Manager of Energy Efficiency Partnerships at SDG&E and Southern California Gas Company. And I'm also responsible for running our on-bill financing program that you heard somebody mention earlier today.

We were a huge supporter of AB-811 in the legislature and in support of the Palm Desert partnership, which we are a partner in. And it's been great information today.

But I want to speak to one particular item. And my comment has to do with the role of energy efficiency in AB-811. And I'm just frustrated to hear so many folks say, not that everybody isn't agreeing that energy efficiency's important, but so many folks are saying that it's hard to do with AB-811.

And I'm confused because there's so much energy efficiency already being done in the state.

The fact that we don't have a certification program anywhere for contractors is not keeping energy efficiency from being done. So I'm a little confused about that.

Granted, I think it would be a great program to have, but not having it is not stopping energy efficiency from being done. And Palm Desert has proven that with their program. Over, I think, 70 percent of the applications that they have are energy efficiency applications. It's not all PV. It's actually more people are asking for energy efficiency than they are for solar.

From a program design perspective, to get relevant to the panel here, I think a simple solution -- it's a near-term solution, but it's a simple solution just if the energy efficiency measure qualifies for a utility rebate program, and it's affixed to the house, then -- a loan. How hard is that? It's not that hard. It's a very simple thing to do. It's near-term, there are other things that need to be done, but I think that's a simple way to get moving.

And the last comment I wanted to say, I feel obligated to say this, and please don't take offense to this, but the folks that are using the

FIRST acronym, I don't think that's going to help. It doesn't say anything about energy efficiency in that. So maybe you can change the I to an EE and still say it as FEERST, somehow.

(Laughter.)

MR. SPASARO: Thank you.

COMMISSIONER ROSENFELD: Thank you, Frank.

MR. BARTHOLOMY: Any other comments from the audience before we go to a few of the comments that have come in online? No, okay. Can we get the comments, then? I'll be reading these out for the panel and then we will get on to Brian's presentation.

Those of you who haven't had the opportunity to sit over here with Jesse, there's a whole other workshop going on online as we're sitting in here, an amazing conversation happening through the chat feature here of all the presenters. We have over 500 people online now having quite a conversation about this, everything going on here, as well.

So, first of all, from Danielle Garcia, a question for Andrew McCalister to clarify how one may participate in the CSCDA statewide program. I ask on behalf of a city trying to get an AB-811 off the ground.

I think that's probably actually more appropriate for Mimi to answer. Mimi, and so the question is, how would a city participate in the CSCDA statewide program?

MS. FRUSHA: This is Mimi Frusha speaking. In order for a city to participate in a CSCDA program it really is about the district formation process first. Which a district would be formed most likely at the county level.

And so I would be curious to know where Danielle Garcia is located. If she says she's in San Diego County or one of the other counties that are interested in participating in the program or not. Would definitely want the district -- the city would just be passing a resolution to opt into that district. And then the city would be able to participate in the program.

So very similar to what we're seeing at these county levels that have been formulated, the county level programs that have been formed, the city would just be opting into that district, opting into the program. So it would be a resolution that they would pass.

MR. BARTHOLOMY: Great. Thank you, Mimi. The next question, I believe we have about four of these. This is the second one. This is from John Turner, and it's a question for Gary at IID.

How much HERS testing has been done to supplement and help in the weatherization of homes? And does the district proceed with energy audits in a checklist format?

MR. AMBACH: The answer is for new construction we use the HERS system all the time. And that's for new construction. We do provide audits to our customers. We have a staff that does that. They do follow a checklist. And we probably do somewhere in the neighborhood of 3000 or 4000 audits a year.

MR. BARTHOLOMY: Thank you, Gary. We have Danielle again, an active participant in our chatting, it looks like. And it's a question about a discussion on how the city could hire a consultant to do the program administration.

Danielle, I don't think we're going to be having that conversation. I think a number of the entities represented this morning and this afternoon have talked about an RFP process to bring on consultants to help them with that process. So that's going to be a decision that the local government's going to have to make on their own.

And then the last question is AB-811 will be increased to include all energy improvements. Do we contact each different utility? And I think the answer to that is probably going to be it's going to depend in each region, and the participation of the local community and their relationship with their utility in that area.

And this is the last question, now, Jesse? Okay. Well, I'm looking at the time that we're going to have to move on to Brian's here. So I'll make this one the last one and save the rest of them for the public comment period to make sure we get Brian's presentation in here.

With all these legal hang-ups presented to the CEC, will we be notified or will the answers to the requests for help from the CEC be published so the city may become aware of such legal solutions?

And I would welcome anybody on the panel to answer this. At this point the CEC is not looking at an opportunity to delve directly into the legal issues, I don't believe.

So as far as from the panel's perspective, about kind of the broader conversation happening in California right now, around some of the legal issues that have been brought up, I'd welcome some perspective from the panel members on that.

MS. FRUSHA: I would say -- this is Mimi Frusha again -- I would say with CSCDA that the legal issues on any sort of resolution associated with that would be publicly available.

MR. BARTHOLOMY: Great. Thank you. We're going to hold the rest of the questions from online until the public comment period just so that we can get through our last panel with Brian Gitt from BKI. And there will be opportunity for public comment here at the end.

We're going to finish up with the last panel on one title, how to build a successful -- first of all, thank you very much to the panel that just presented. I think you brought --

(Applause.)

MR. BARTHOLOMY: -- some excellent perspective to the day's proceedings. And it really is amazing to see the level of interest out there, and it's very exciting to see the kind of programs that are being developed from Imperial County all the way up to Arcata and everywhere in between. So thank you very much for making the trip out here.

We are finishing up with a panel on how to build a successful AB-811 program. Brian Gitt representing BKI here. BKI has been helping communities across California set up these programs. And so it brings a statewide perspective to some of the issues they are seeing out on the ground right now in developing programs with local governments, from the regional to the local level.

So, we asked Brian to, pretty briefly, in about 15 minutes, talk about some of the issues that they're seeing out on the ground. And then some of the solutions they are recommending to local governments moving forward. And how the state could potentially help with addressing some of those issues, as well.

So, Brian, thank you very much for coming up, and we welcome you to the lectern.

MR. GITT: Thanks, Panama. Wow, what a

day. There's a lot of information; I think I'm on overload, myself. I mean I think the very fact that we've seen from the Mexico border all the way up to the Oregon border probably 20 different program designs, and an incredible amount of interest, is really a sign that this has gone mainstream. That this isn't just an idea that was forged in Berkeley and is staying in Berkeley. But this is rolling across the state with a voracious acceleration.

And I think now we have to talk about, okay, the interest is there. I think that's clear. There's over 100 cities that have expressed, cities and counties that have expressed interest in this.

So, now, how do we go about implementing this. How do we pull all this great information, all these pioneering efforts and leverage that into successful programs that can scale in a timeline that's going to be in alignment with the stimulus dollars. Because that's really what we're here to talk about today.

And so my presentation is going to be a little bit different than what has been talked about most of the day. We spent a lot of time today talking about the finance district, itself, and some of the legal issues and some of the mechanisms and the process for that.

What I want to talk about is what are the other program elements that are going to be absolutely necessary for us to get to scale and have success. Because I think we owe a huge debt of gratitude to Berkeley and Palm Desert, Sonoma, for being the pioneers, somewhat on that cutting edge. Hopefully not too much on the bleeding edge.

But, you know, the amount of money that's gone into these programs thus far is really not an indication of success yet. I think it's a great indicator.

But we're not talking about millions of dollars required. We're talking about billions of dollars. And we're talking about billions of dollars even within individual counties.

In Alameda County alone we need to see in that realm to get to the level of market penetration that is needed to be in alignment with the PUC's goals for climate action, as well as energy.

So, in order for us to talk about, well, what are these program elements that are going to be required to be successful, we have to look at all of the barriers.

Now, today we focused on one barrier primarily, which is the financing barrier. But I think we have to really be aware that there's many other barriers besides financing.

We could create the best possible legal financing district, and these programs would not be successful. When I mean successful, I mean getting to significant market penetration in scale.

We've had, you know, now we have a credit crunch; people don't have access to credit. But, hey, we had, you know, a few years ago people had access to tons of home equity lines. They were buying everything, their trucks and boats and everything else. There's plenty of money available, and yet we weren't seeing the level of energy efficiency or solar happening on any kind of scale.

So, it's beyond the financing question. And right now we have several key barriers to making this happen. First, it's policy. This room is full of local governments. What is the trigger that's really going to make this happen?

Well, unless you have really effective public outreach and education, there's not a whole lot of requirements you can put on.

There's some that are evolving. For example, we're going to be working with the city of Santa Rosa. They are looking all the way on the one end of the spectrum of creating mandatory retrofits by date certain. Now, this is not done before; this is unproven. It's been talked about, but no one's actually implemented this. How are you going to do this?

It's like smog check; how are you going to get all these existing homes in Santa Rosa to meet a certain minimum level of energy efficiency. Well, this is a whole new policy innovation that has to happen.

We talked about time of sale up there. Time of sale requirements are the residential energy conservation ordinances. But what they realized, with their aggressive climate action goals, they can't do a residential energy conservation ordinance and be successful. They won't get the level of market penetration needed because not enough homes will turn over in that period of time.

So they're going to have to skip that; forget the battle with the realtors and go straight for what they need to do, which is some kind of mandatory element.

So you're going to see all kinds of new policies emerging. What we've mainly been discussing today is voluntary policy on a local government level. How can we put the right incentives in place to make these programs successful.

But we're going to have to look at a series or a package of sticks and carrots to create the right policy tools to get it done. It's been alluded to, the technical challenges. All of these houses are totally unique and different and require different solutions.

Even large neighborhoods that were built at the same time, they were built 40 years ago, have had different improvements over time, different remodel projects, systems replacements. And they're going to need somewhat of a tailored and customized approach.

Consumers, in general, might be aware of energy efficiency, but they're not aware of all the benefits in terms of comfort, health, less maintenance costs to their home. And these need to be sold directly.

We know from 30 years of experience obviously in this state of running energy efficiency programs that we're going to have to take it to the next level in terms of communicating effectively with consumers to get them to do this. To get them to the level of penetration needed.

Workforce is a huge issue. We talked about some of these programs today. Sonoma County as an example. They have a financing district in place. They have a very small number of skilled, capable people that are able to deliver energy efficiency improvements in that county. So if they're going to meet their goals they have to do 800 retrofits per week, 800 retrofits per week every week between now and 2015 to meet their goals. That's the kind of program we're talking about.

All the programs in the past that we have done, we need to learn from those, and we need a whole new model. Because the model that we've been using is not going to work to get us to the level of market penetration we need to be in.

And a lot of talk has been about cities today. But we have billions of dollars going to the utilities. We need these utility programs to be leveraged. We need all these other potential funding sources to be leveraged.

So, with that, you know all these numbers. You know all the various stimulus funds. My main point with this slide is that this is not just state energy program funds we're talking about.

We need to leverage those weatherization programs, those neighborhood stabilization programs that are going into foreclosed properties. These are all opportunities for us to pool these resources to come up with a coordinated and comprehensive program model that's going to get us to scale.

Because if we're going to focus in silos, which we have a tendency to do, and run our weatherization programs here, and our AB-811 programs over here, and our neighborhood stabilization programs here and our green jobs over here, if we do that we will not succeed in terms of getting to scale.

And so we need an integrated approach that looks at all of these pots of money and all these existing programs. We have some incredible existing programs in this state, and we need to harmonize them and piggy-back.

It costs a lot of money to get into a house and a home weatherization program. Why shouldn't we be piggy-backing on these financing programs for those moderate income folks or low income folks, where appropriate.

So the challenges are immense. And we need to look at all aspects. We need to look at that physical infrastructure. We talked about the historic conditions being totally different in all these homes.

Behavior is hugely different, as well. The policy we briefly mentioned, we need to have standards. I know this was said over and over again that there was this concern of lack of standards for energy efficiency. Well, the reality is the CEC has done an amazing job, Bill Pennington, I believe. The CEC has created HERS II which will be the standards for residential energy efficiency in homes rating process and system.

Now, the issue is not that we don't have a standard. It's going to be hopefully coming online in August. The issue is we don't have the implementation capacity to implement that standard. That's the issue.

So, it's going to take probably a year or two to build up the actual infrastructure of raters. We need even computer software to be online, which is not. So it's going to take about a year or two for us to be able to fully utilize HERS II in the marketplace.

We need to be going that direction. HERS II is what we need to be standardizing so all of these programs, if you want to do energy efficiency and AB-811, it should be tied to HERS II performance based approach. But the reality is that's not ready for prime time yet. And it's going to take a year or two to get there.

And so all these local governments from border to border are going to have programs up and running in the next six months, next four months, next 12 months. So what are they going to use in the interim.

And so that's why we're partnering with organizations like Stopwaste, and we're developing these green packages in various eligible energy efficiency measures that tie in with utility programs and utility rebates so that we have this interim strategy to get us, for the next two years, till we're ready to do a full performance based method. Because the infrastructure is just not ready today.

Business capacity. This, we need the labor pool. This gets it -- not only do we not have the raters on the ground, we don't have the contractors on the ground that have the knowledge, the skills and expertise to be able to deliver.

The California Building Performance Contractors Association has trained hundreds of people. Guess how many actually are doing this as part of their job today? Any guesses? No guesses, you guys are that much asleep after all day, huh?

(Laughter.)

MR. GITT: So it's like, you know, out of the hundreds there's maybe 50 to 75 statewide that are doing this as part of their -- in the Bay Area, which is a huge market, there's a handful. In the whole entire Bay Area we have a handful of contractors that know how to do this work, a performance based approach for energy efficiency.

So, you can put all the requirements, all the financing districts out there you want, you are not going to get to scale if we don't build that workforce. And this is a huge, critical problem.

But the last thing we want to do is build a workforce when the jobs aren't there. We've spent the last few years training people. There's hundreds of people trained, and yet there's no jobs for them. It's because we have not done successful outreach. We have not educated the public on why this is making their lives better. And we have to take a comprehensive and unified approach to this or this program won't be successful. So that's where the consumer demand kicks in.

The upfront costs, the piece that we're talking about mainly today is this means piece. It's how do we pay for it. And it's incredibly important. As everyone knows here and has mentioned, the financing piece is critical, but it's one piece of this puzzle. And if we just do this one piece we're not going to succeed.

I kind of envision these AB-811 typical

financing districts, too, like a plug-in hybrid vehicle that has a charge that would, from here, it's charged when you leave Sacramento. You can drive too Las Vegas on that charge in that plug-in hybrid. It's a great vehicle or tool to get you there, but you need to go to New York. And the financing district, itself, is not going to get you to New York.

You need that workforce; you need common standards; you need quality assurance measures; you need aggressive consumer outreach and marketing. All of these things need to be in place to create a successful program.

So this little diagram illustrates that from a local government perspective how does this flow. Who's involved; what are the steps; and what are the program elements in this?

So local governments that we heard over and over again are going to facing huge deficits. They're not going to have the internal capacity to implement these programs. Even some of the largest cities will be struggling to do this.

So we need to leverage the existing third-party implementers in the marketplace. We have existing utility programs and utility implementers. We have training organizations in place. We have financing administers that are available, such as Renewable Funding and others that are emerging to do this type of work.

But starting all the way on the left, on those orange boxes, we look at retrofit policy development. And this could be voluntary policy or mandatory policy. I gave you the example of Santa Rosa looking at the extreme of mandatory retrofits by a date certain.

We've been talking with Stockton. Now the last thing they want in the world in Stockton is having any kind of mandatory requirement. It just won't fly politically.

So having this kind of financing district with voluntary incentives and a really robust consumer outreach and marketing program would really be successful in a community like Stockton. So these policies are going to have to be tailored.

The market research and targeting. We haven't talked at all about this. This is something, it's like creating these programs with -- it's like creating an ad campaign with doing no market research on who your customer is.

I mean we have to understand, as we heard today, the built environment is so different in all the areas of the state. The needs of that built infrastructure is unique. And we need a customized approach. But we need to know what we're designing our program to.

Designing a program in Berkeley is even different than designing a program in Livermore or Pleasanton or Sacramento. And we need to inventory that built environment. Understand the demographics, the various income brackets, and the various social characteristics or cultural characteristics, so we can tailor the program design and the program outreach to effectively overcome these barriers.

We need to focus on the workforce development, as I mentioned. In Alameda County alone we're going to need 1000 contractors, 1000 doing this every single day, every week, delivering over 850 retrofits a week. We have a handful. This is a huge gap right now that we have to resolve.

The marketing outreach side, we need to do a better job. We have not successfully done this. I know there's great examples of energy efficiency in the state, and moving forward. But we've done a side-load approach. We've focused on direct install programs. And that is not going to get us to the state's goals of 40 percent energy reduction in all housing units across the state. It's just not going to get us there.

We need to take a comprehensive approach. And this is where the marketing outreach and bundling incentives comes into play. We shouldn't just be offering financing. We need to be working with our utilities, utilizing tax credits and other things like the FHA (2) or (3)(k) mortgage funds.

And coming to a consumer and saying, these are all the potential incentives that are available to you for this project based upon this particular scope of work. And making it easy for them. Don't make them chase down utility funding and figuring out tax credits, and what about this financing. We need to bundle this and make it really accessible and easy overall.

And obviously, we need solid quality assurance programs. And right now we don't have that in the programs to date to the level that it needs to be. We need to go back, for example, in

Sonoma County we're going to be going in and building out some of the other program elements that are needed to make Sonoma successful in terms of having a robust quality assurance program for energy efficiency. Having an energy efficiency standard throughout that county, and hopefully throughout the region, that we can have buy-in and acceptance on.

And we need to be able to track and measure report how many audits were done; how many retrofits were done; what kind of measures were included; what are the quantified benefits of CO_2, water, energy savings from those retrofits done?

Without this, we're not going to have success. And so, what I would say is one of the most important things leaving this room today is we've heard a lot of tons of great ideas about the financing district piece. And we haven't talked that much about these other essential program elements. We have to focus on those. And that would be a great potential use of SEP funds in general. It's helping build out these essential elements.

Because we need to get to economies of scale. As we've heard today, it's not going to make sense for cities typically to do this alone. We're going to have to work regionally. We're seeing some great models right now. Most, throughout the Bay Area and Sacramento region and throughout southern California, we're seeing cities clumped together at either a county level or a joint powers authority level, or a council of government level. And that's a really encouraging sign.

We need to do that to get to economies of scale. But we need these comprehensive approaches within that. We need to leverage all the funding pools, not just SEP funds, and not just this private financing, but these weatherization programs, the utility programs, neighborhood stabilization programs, et cetera, to really put a comprehensive package together.

So, I want to close with what are the tangible next steps. What can the CEC do to make this a reality. And there's a comment I want to be sensitive to about prioritization, because I know you've seen a lot of these things today.

These are common themes that came out of I would say 90 percent of the various recommendations. And I think your comment was very astute that can't necessarily do all of this. How can we do all this, we only have $226 million.

Well, I would put forward two priorities in this. One is the interim financing. As you heard, that is a critical piece to making this work. We need to have this bridge financing.

And number two, we need matching funds for local governments to actually build out these other program elements and get these programs off the ground. Everything else can wait.

It's all important, but to me those are the top two things. If we're going to do two things, we need to do those.

If we just create these revolving loan funds and these financing districts, we will not succeed because we will not get to scale. And it is imperative that think comprehensively and think long term to build out these necessary program elements for success.

So, with that, I will close and let you guys get on to public comment. Thanks so much, I appreciate your time.

(Applause.)

MR. BARTHOLOMY: Brian, if you could stay near a microphone. Are there any questions from the dais for Brian on the information he just presented?

COMMISSIONER ROSENFELD: Brian, this is Art Rosenfeld. I thought I had some idea of the stimulus money that was available, but you've mentioned neighborhood stabilization. And to be honest, I don't know anything about that. Can you say a few words about that?

MR. GITT: Sure. The neighborhood stabilization program is a pool of money that's given to local governments. It's based upon number of foreclosures in that area.

So, for example, Stockton unfortunately has a huge number of foreclosures, and therefore it's getting, I think, on the order of, I think, of $12 million; somewhere in there.

But it's basically to revitalize these properties. And there's a great potential to include, to upgrade these properties using energy efficiency and other kind of green improvements to these properties.

So, these are funds that are available to local governments with foreclosure -- high incidence of foreclosure in the communities. And some of these funds could be paired with some of these other funds to be able to green these homes or buildings.

COMMISSIONER ROSENFELD: And who decides, does Stockton, for example, apply directly for these funds?

MR. GITT: Yeah. Actually they've already received their funds. So they have it in their bank account today. But, yeah, the city applies for them; it's by a formula based upon their number of foreclosures.

And it's typically not a green program. I mean these programs are to basically protect against neighborhoods decay and, you know, blights.

So the idea is to think comprehensively about all of the housing stock. And these are actually a great opportunity to mentor and train, because we can get into these houses and there's not an owner there. So it's even a great mentoring opportunity to get our workforce programs off the ground, getting into these houses, doing the energy efficiency upgrades in these homes as we move forward.

COMMISSIONER ROSENFELD: So in some sense it's money available for a pilot program already.

MR. GITT: Yes. There's funds available for that. But, again, the main focus is not on energy efficiency, but it can be.

COMMISSIONER ROSENFELD: Thank you.

MR. GITT: Thank you.

MR. BARTHOLOMY: Thank you very much, Brian, for that presentation.

We are now going to move into the public comment part of the agenda. I think there is probably lots of folks very interested in talking about stimulus funds and the Energy Commission's role in disbursing stimulus funds effectively, efficiently for California's residents.

That is not what the goal of this workshop is. The goal of this workshop is very much focused on AB-811, and AB-811-type programs that could be implemented in California. And the potential interaction with recovery act funds in helping to support those or other support the state could provide, such as technical support to local governments in setting up these sorts of programs.

So, at this point we would welcome any comments or questions from the audience. And then from our online friends and stakeholders about AB-811-type programs, information that's been heard today, and ideas about the applicability of AB-811-type programs for the use of recovery act funds.

And I see that Mr. Berman has joined us to be the first presenter from inside the building.

MR. BERMAN: Thanks, Panama, and thanks to the Commissioners. Mu name is Mark Berman; I'm with Davis Energy Group. And we've heard many requests today around the legal and financing issues. I think that can be a very good place for state energy program funds. Definitely scale needs to be achieved with financing some of these roadblocks, or potential roadblocks, need to be removed.

But there's a whole other set of issues that the Energy Commission's been working on for years, as well as the PUC. House is a system, building science. These retrofits, if they're going to do the most good and achieve the most kilowatt hour and greenhouse gas reduction savings, need to be done in a practical house as a system manner.

And right now we've heard many times that the contractors are the best marketing tools for these programs. Well, I pose this question: Will a PV contractor sell insulation and HVAC systems, if that's what the house happens to really need? Will a plumber sell PV or HVAC systems, et cetera?

There needs to be integration. Right now there's multiple contractors. It's very confusing for homeowners to get a true integrated project done. Each project is different, each house is different. So all of these issues need to be dealt with.

We've heard the question of standards. There aren't a lack of standards. There are many standards, as a matter of fact, HERS II; there's something called Building Performance Institute that certifies raters and will soon certify installers. They're based out of New York. The NYSERDA program, very popular. There's RESNET certification; there's GreenpointRated. There's Home Performance with EnergyStar which is a DOE program.

I was in Kansas City yesterday and the day before, the Affordable Comfort Conference; met with DOE on a number of occasions. And they want to see scale. They want to see houses retrofit properly, and they want to promulgate the Home Performance with Energy Star program as a standard to achieve that.

So integration and building science are all critical. And so how do we bring this all together. I would suggest we walk before we run. I know there's a great big pot of money out there, and it looks real attractive to everybody. But I also know there's a lot of other everybodies that you're going to be hearing from.

So before we pump large amounts of money into creating large numbers of programs, or statewide programs, and trying to pump up the volume real fast, let's do some targeted demonstration programs and make sure we can get to scale properly. Let's make sure we can implement the building science properly.

We, in fact, I'm proud to announce, are starting just such a demonstration program with the city of Stockton. And I can say now that we have PG&E funding as seed capital to get that started. So we've got a great group that's going to work with the city of Stockton focusing on production homes and achieving scale in that particular segment. And other market grade homes, as well.

I think more demonstrations like this are needed. PIER funds --

COMMISSIONER ROSENFELD: Just a clarification.

MR. BERMAN: Yes.

COMMISSIONER ROSENFELD: Production homes suggests new homes to me.

MR. BERMAN: No, I'm sorry.

COMMISSIONER ROSENFELD: Could you make that clear?

MR. BERMAN: Fifteen-year-old neighborhoods of similar housing; 20-, 30-, 35-year-old neighborhoods of similar housing to achieve economies of scale. The potential is huge. In reality nobody's really done that yet.

There's another project that's been proposed for Levittown in Pennsylvania, same thing.

Beyond our seed capital we are hoping for DOE money to proceed further. And we're looking for another municipality to partner with here in California to propose another demonstration program that, again, would look to achieve retrofits on large scale.

So, my proposal or suggestion is that the Energy Commission think of that; select demonstration projects. In addition to clearing some of the shrubbery out of the way here, some of the bushes, on the legal and financing issues. But also demonstration projects in select areas to make sure we can integrate all these various needs and opportunities in effective programs.

Thanks. Oh, and one last thing, for greenhouse gas carbon credits, take a piece of those, put them in a pot for rental units, use the money, the value that's created there to strongly underwriting rental retrofits to overcome the disconnect between landlord incentives and renter incentives. Because landlords don't want to spend money to save utility bills for their tenants. So one potential answer to the question that Jeanne Clinton posed.

Anyway, demonstrations. Thank you.

MR. BARTHOLOMY: Thank you. Others from the audience with any closing comments or questions?

MR. DeLEON: Good afternoon,

Commissioners. My name is Winford DeLeon from Sacramento County. And I am part of the sustainable group and the green building coordinator.

And first of all I'd like to thank you for having this workshop. The panel members have been great. We've been also trying to absorb all this information about the AB-811 programs. And we are in full support of trying to partner with the regional stakeholders in addition with the state.

We've been doing a lot of meetings and collaboration with public utilities, SMUD, the city of Sacramento, other cities within the county, and SHRAs. So I just wanted to let you know that.

Our goal is, of course, to put together and participate in the partnership for this AB-811.

Thank you.

MS. RUSSELL: Good afternoon, my name is Elizabeth Russell; I'm with the Association of Monterey Bay Area Governments. That's three counties and 18 cities. Ten of the jurisdictions have populations of 15,000 or less.

And I just wanted to put in a comment here that our energy advisory committee meetings, which they all attend, they really wanted to be sure I brought forward the fact that it's important to them that you really consider a statewide program, or some types of program at that scale where they do not have to put in the funding or the staff bandwidth. Because they do want me to express to you their interest in participating in these. But they cannot do it unless there's a larger program.

Thank you.

MR. CHOY: Good afternoon. I'm Howard Choy from Los Angeles County. And I just want to tell you, Commissioners, that Los Angeles County and many of the cities, many of the 88 cities we've already talked within the county are very serious about moving forward with a joint AB-811-type program.

I want to bring up one other issue on the carbon credits. There are debates ongoing right now, yesterday, as a matter of fact, at CARB and at the federal level, about whether energy efficiency would qualify for carbon credits. And there is a strong argument that's being made by others that those credits should belong to the point generation sources for the distribution systems that bring the energy into the state.

I believe -- I'm part of a coalition of local governments that will be presenting an argument to CARB and to others that energy efficiency should qualify for carbon credits. And that these types of municipal finance programs should qualify for energy efficiency and renewable energy credits. And I think that this would be -- I mean these programs are being viewed as a game changer in California in terms of energy efficiency and renewables, municipal financing programs.

And from everything I've heard the carbon credits or the allowances are going to be crucial to keeping the programs going.

Thank you.

MR. BARTHOLOMY: Okay, not seeing anybody else jump up to the mic, we're going to then close public comments for those folks in the room.

For those folks on the online we are recording the questions that you're sending in and staff will be addressing those on the recovery website, which I will be talking about in a second. And please continue to send your questions and comments in online and we'll be addressing those and making those publicly available.

I'll just close up with a few housekeeping items before turning it back over to the Chairman, the Commissioners and to Jeanne from the PUC to make any closing remarks.

This WebEx meeting has been recorded. It will be made available soon on the recovery website. It is also, as you can see, we do have a court reporter here. And so the minutes of the meeting have been taken, and we will have a detailed transcription of this meeting also made available in the near future. You'll be able to see what was also discussed here.

In addition, all of the presentations have now been posted online right next to the agenda. And the questions that were asked for this meeting on the recovery act website.

The recovery act website is really the best place to go to follow along on all of our discussions on AB-811 and all of our discussions on the recovery act implementation. Not only those programs that the Energy Commission's implementing, but also all of the energy aspects of the recovery act.

The Energy Commission is trying as much as possible to help California entities go after some of the competitive funds that are available through the recovery act, as well as insuring a quality implementation of the programs that we are implementing here at the Energy Commission.

That website, for those folks who haven't been on it yet, is energy.ca.gov/recovery. We also have a listserve as part of that website, and it's really the best way to follow along with implementation of the recovery act here, in addition to all these information that's been discussed today.

Up on the screen right now you have the attachment to our agenda, titled attachment A. . And it has a list of five questions that we were hoping would be addressed today at this workshop.

We were also hoping that you will be giving us answers to some of these questions within ten working days following this meeting, by May 13th, when we would like to accept answers to some of these questions from your perspective sent in at this email address you see here, recovery@energy.state.ca.us.

You can also go to the agenda. This is an attachment to the agenda. And we would very much welcome answers to these questions from your perspective. And it'll help us to really look at AB-811 and those type programs to see if it's should be part of the consideration as we move forward with implementation of the American Recovery and Reinvestment Act.

With that, I will now turn it back over to Chairman Douglas and the Commissioners and Jeanne Clinton from the PUC for any concluding remarks.

CHAIRPERSON DOUGLAS: Thank you, Panama. I will keep my concluding remarks brief. I really want to thank everybody for being here. I'm very very pleased to see this level of interest in 811-type programs from local governments.

We're very aware at the Commission of the challenges that local governments are facing right now with the financial crisis, budget issues and so on. Seeing you stepping up to the plate and being innovative and wanting to be innovative in this area, given everything else that's going on in -- that local governments have to deal right now is a great thing.

I hope we can be supportive at the Energy Commission. I hope we can find a way to partner with you as we explore 811 mechanisms, and also other mechanisms that may come forth as we look at how to expend stimulus money.

So, thank you very much for being here. I heard, got a number of messages from this. I think I really heard from one of the public commenters who said, you know, can you find a way to make it simple to get in. Can you find a way that we don't have to expend so much in terms of our own staff resources and time establishing these programs on a city-by-city basis. And I really get that, heard that. And many other messages, as well.

So, thank you again for being here. And this is just the beginning of what will be unfortunately a rather fast-moving, or maybe fortunately, --

COMMISSIONER BYRON: Fortunately.

CHAIRPERSON DOUGLAS: -- fortunately a fast-moving process.

Other closing comments?

COMMISSIONER ROSENFELD: This is Art Rosenfeld. I just wanted to say that Jeanne Clinton's comments from the PUC I was impressed by. We've heard a lot of asks today. You have ten days to fully comment, public comments. I think we would all be very interested if you would consider thinking about, say, a maximum of three asks and even put those in some sort of priority.

I don't know if that will solve our problems, but it would be interesting.

The other recurring theme that I heard was that it's so much easier to put your money into photovoltaics than it is into energy efficiency. I'm listening to Frank Spasaro. And any ideas about how you sweeten, let's say, the energy efficiency part without having to sweeten the photovoltaic part, which is already, luckily, pretty well taken care of. So I'd be interested in how to solve that issue.

And that's it.

COMMISSIONER BYRON: Jeanne, did you want to say anything?

MS. CLINTON: I, too, appreciate everybody's time today; it's been a long day. And we've heard some tremendously useful information.

I'm struck by the fact that we came together today to talk about financing mechanisms, and I think we've seen that there's quite a range of choices and ways to go that we need to think about.

But I'm also struck by the fact that financing a loan is not going to deliver all the energy savings and all the billions of dollars of investment. We need to look at the whole delivery system and figure out how financing is going to be integrally connected with all the other pieces. And we can't fool ourselves by thinking if we just solve the financing piece somehow the rest of it is all going to happen.

So, I think that will be a challenge to those of us who are in positions to, you know, do other things with standards and programs. And our role at the PUC, we influence the way utilities, investor-owned utilities spend money on efficiency and solar programs.

So we're all working, I think we all strive to try to link these together. And clearly we need to accelerate the pace of figuring out how to put those linkages tightly into place.

COMMISSIONER BYRON: Thank you, Ms.

Clinton. You know, it's just extraordinary to think how these kinds of opportunities present themselves with the financial crisis and the economic crisis that's followed. And now we have this wonderful opportunity to try and implement programs like this with funds that have now become available.

And I am just amazed at the participation level and interest that is here and on the web for this. We're so busy working on many other issues at the Energy Commission, and I, for one, was really not aware that there was this much interest and need for this.

But I've learned a great deal today. I think we've gathered the necessary information that we need, notwithstanding Commissioner Rosenfeld's solicitation for your input. But I certainly have a much better sense of what we can do. And I'm always reminded of that axiom when you ask someone for input you'd better be prepared to do something with it. And I think that's incumbent upon us, now, at the Energy Commission to act. On top of all the other responsibilities that we have existing and the limited staff that is available for this.

I'm committed to do what I can. I'm certainly pleased to be here with my fellow Commissioners, all of which were represented during this meeting. And all of which are more knowledgeable of this subject than I am.

So, I'd like to thank everybody for your input today, for your interest and your participation. It's not been wasted on me. Thank you very much.

CHAIRPERSON DOUGLAS: Before we conclude, Panama will provide some information on upcoming workshops on stimulus so that everybody here can put it on their calendar if they have the opportunity.

MR. BARTHOLOMY: Thank you, Madam Chair. As was mentioned a number of times, this workshop was necessarily focused particularly on financing mechanisms similar to Assembly Bill 811.

And as Pat mentioned in the very beginning of the day we'll be having a more general set of workshops next week across California focused more generally on our upcoming application to the Department of Energy for the energy efficiency and conservation block grant program, and the state energy program.

And our applications for those are due on the 12th for the state energy program, and the 26th of May for the energy efficiency and conservation block grant.

We'll be having a workshop May 4th in Diamond Bar at the South Coast Air Quality Management District's headquarters. May 6th at Fresno City College. And May 7th here at the Energy Commission where we'll be providing information on both of those applications and our plans for the next few months moving forward, working with you on developing the implementation of those programs.

For more information on all of that, of course, go to our recovery act website, energy.ca.gov./recovery.

And once again, thank you all so much for your time and attention in coming up here to the Energy Commission today.

Madam Chair.

CHAIRPERSON DOUGLAS: Thank you, Panama. We're adjourned.

(Whereupon, at 4:45 p.m., the workshop was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Staff Workshop; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said workshop, nor in any way interested in outcome of said workshop.

IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of May, 2009.